



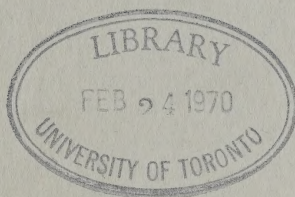
3 1761 11968193 0

124N
2
3C52

Ontario. Legislative assembly. [committees]
Select committee on consumer credit
Hearings

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearing
held at the Parliament Build-
ings, Toronto, Ontario on the
25th day of June, 1963.



OFFICIAL REPORTERS
ANGUS, STONEHOUSE & CO. LTD.
BOARD OF TRADE BLDG.
11 ADELAIDE ST. W.
TORONTO

364-5865

364-7383

ERRATUM

The INGRAY formula cited in the minutes for Tuesday, June 25th, 1963 should read:-

$$2IG - IR + \frac{200G}{A} - \frac{200N}{A} = Y(G + N - R)$$

Please correct your copy accordingly.



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

II

1 APPEAL SELECT COMMITTEE ON CONSUMER CREDIT

2 Mrs. V. Proceedings of the hearing Chairman, National
3 held at the Parliament Build-Committee on Consumer
4 ings, Toronto, Ontario on theedit, Consumers
25th day of June, 1963. Association of
Canada

5 COMMISSION:

6 Mr. H.J. Price -- Advisory Counsel,
-- Department of the
-- Chairman-General
7 -----
8 Mr. J. Sedgwick, Q.C. -- Commission Counsel
9 -----
10 Mrs. S. Dell -- Secretary
11 -----

12 P R E S E N T :

13 Mr. D.W. Irwin, C.A. -- Financial Consultant
14 Mr. M. Belanger -- Member
15 Mr. P. Hoffman -- Member
16 Mr. W.G. Noden -- Member
17 Mr. L. Letherby -- Member
18 Mr. L. Reilly -- Member
19 Mr. J. White -- Member
20 Mr. D.C. MacDonald -- Member
21 Mr. G. Bukator -- Member
22 Mr. A.S. Lawrence -- Member
23 -----

24 A P P E A R A N C E S :

25 Mr. V.J. Simone -- Registrar of
26 Collection Agencies,
27 Department of
Insurance
28 Mr. John McCulloch -- Manager, Toronto
29 Branch, Central
Mortgage and Housing
30 Corporation



SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearing
held at the Parliament Buildings,
Toronto, Ontario on the
25th day of June, 1962.

COMMISSIONERS

Mr. H.J. Price -- Chairman

Mr. J. Sedgwick, Q.C. -- Commissioner General

Mrs. A. Dell -- Secretary

P R E S E N T :

Mr. D.W. Lewis, Q.C. -- Financial Commissioner
Mr. M. Belanger -- Member
Mr. P. Hollman -- Member

Mr. W.G. Hobden -- Member
Mr. E. Letourneau -- Member
Mr. E. Kelly -- Member

Mr. J. White -- Member

Mr. D.C. McDonald -- Member

Mr. G. Hackett -- Member

Mr. A.S. Lawrence -- Member

A P P E A R A N C E S :

Mr. V.J. Simone -- Registrar of
Collection Agencies
Department of
Insurance

Mr. John McCulloch -- Manager, Toronto
Mortgage and Housing
Corporation



1 A P P E A R A N C E S :

Toronto, Ontario

June 25th, 1963.

2 Mrs. V.W.G. Wilson
3 ---Upon Commencing.

-- Chairman, National
Committee on Consumer
Credit, Consumers
Association of
Canada

4 THE CHAIRMAN: Mr. Letherby?

5 Miss Wysocki

-- Advisory Counsel,
Department of the
Attorney-General

6 so we will bring the meeting to order. Now, yesterday

7 when we adjourned --- the next person we are going to

8 hear from has quite a * * * * *

9 Mr. V. J. Simone, the Registrar of Collection Agencies,

10 for the Department of Insurance to come up.

11 MR. SIMONE: Mr. Chairman, Mrs. Dell, and

12 gentlemen, would you like me to read my own brief?

13 THE CHAIRMAN: If you like.

14 MR. SIMONE: Credit used wisely is a wonderful

15 thing --- yes, when used wisely is emphasized. But is

16 it? Or is this approach merely used by credit granters

17 to promote the false premise that all credit is good?

18 The fact that we are here today and that a person in

19 my position has been interviewed three times in recent

20 weeks about credit and almost any time you pick up a

21 paper, magazine or whatever, there is some article

22 about credit, its potentials, its pitfalls, its effects,

23 etcetera, attest to my humble opinion that all credit

24 is not good. On secondary mortgage financing up until

25 The Mortgage Brokers' Registration Act was passed, July

26 1st, 1960, interest rates ranged all the way from 9%

27 to 60% --- what the traffic would bear. Of course, at

28 the higher levels of interest rates the borrower did not

29 know what he was paying, or obviously he would not have

30 signed.



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

II

APPENDICES:

- 1
 - 2 Mrs. V.W.G. Wilson
 - 3
 - 4
 - 5 Miss Wysocki
 - 6
 - 7
 - 8
 - 9
 - 10
 - 11
 - 12
 - 13
 - 14
 - 15
 - 16
 - 17
 - 18
 - 19
 - 20
 - 21
 - 22
 - 23
 - 24
 - 25
 - 26
 - 27
 - 28
 - 29
 - 30
- Chairman, National
Committee on Consumer
Credit, Consumers
Association of
Canada
- Advisory Counsel,
Department of the
Attorney-General



1 With the introduction of the Mortgage Brokers' Registration Act, Toronto, Ontario
2 unscrupulous mortgage broker now realized he is being June 25th, 1963.
3 ---Upon Commencing.

4 watched. This combined with close scrutiny of advertisements and all the attendant publicity, the denial of

5 THE CHAIRMAN: Mr. Letherby?

6 MR. LETHERBY: We have a quorum, gentlemen,
7 those licences had the effect of dramatically lowering
8 so we will bring the meeting to order. Now, yesterday
9 interest rates. Today prime second mortgage interest
10 when we adjourned --- the next person we are going to
11 rates are common at the 9% level, and any person with
12 hear from has quite a lengthy brief and we will now ask
13 a 20% equity remaining in his home after the second
14 Mr. V. J. Simone, the Registrar of Collection Agencies,
15 mortgage goes on can readily obtain a rate of 12 to 13%
16 for the Department of Insurance to come up.

17 Borrowers who do not shop around are still paying
18 MR. SIMONE: Mr. Chairman, Mrs. Dell, and
19 in some instances as high as 20% even though they may
20 gentlemen, would you like me to read my own brief?
21 have a 20% equity. Then there are those who should not

22 THE CHAIRMAN: If you like.

23 be borrowing, because of little or no equity, poor
24 MR. SIMONE: Credit used wisely is a wonderful
25 property or poor location, or even poor creditworthiness.
26 thing --- yes, when used wisely is emphasized. But is
27 He can only get loans from certain persons who charge
28 it? Or is this approach merely used by credit granters
29 high enough bonus to enable them to sell the mortgage at
30 to promote the false premise that all credit is good?
31 a discount high enough to flush out the greedy lenders.
32 The fact that we are here today and that a person in
33 In such cases the effective rate of interest is still
34 my position has been interviewed three times in recent
35 as high as 35% or more. High interest rates are usually
36 weeks about credit and almost any time you pick up a
37 a result of a bonus payment which often is quoted as
38 paper, magazine or whatever, there is some article
39 a service charge or all-inclusive fee or some such
40 about credit, its potentials, its pitfalls, its effects,
41 name.

42 etcetera, attest to my humble opinion that all credit
43 We have partly solved this problem by now
44 is not good. On secondary mortgage financing up until
45 requiring on the statement of mortgage form the disclosure
46 The Mortgage Brokers' Registration Act was passed, July
47 of the minimum interest rates whenever a bonus is
48 1st, 1960, interest rates ranged all the way from 9%
49 charged. Where the broker attempts to evade this
50 to 60% --- what the traffic would bear. Of course, at
51 requirement, by calling the bonus something else, he
52 the higher levels of interest rates the borrower did not
53 run the risk of an investigation for charging excessive
54 know what he was paying, or obviously he would not have
55 or exorbitant fees or expenses. This is accomplished by
56 signed.



Toronto, Ontario
June 25th, 1963.

--Upon Commanding.

THE CHAIRMAN: Mr. Lethbray?

MR. LETHBRAY: We have a quorum, gentlemen.

so we will bring the meeting to order. Now, yesterday when we adjourned --- the next person we are going to hear from has quite a lengthy brief and we will now ask Mr. V. J. Simone, the Registrar of Collection Agencies, for the Department of Insurance to come up.

MR. SIMONE: Mr. Chairman, Mrs. Dell, and

Gentlemen, would you like me to read my own brief?

THE CHAIRMAN: If you like.

MR. SIMONE: Credit used wisely is a wonderful

thing --- yes, when used wisely is emphasized. But is it? Or is this approach merely used by credit grantors to promote the false premise that all credit is good?

The fact that we are here today and that a person in my position has been interviewed three times in recent weeks about credit and almost any time you pick up a paper, magazine or whatever, there is some article

about credit, its potential, its pitfalls, its effects, etcetera, attest to my humble opinion that all credit

is not good. On secondary mortgage financing up until The Mortgage Brokers' Registration Act was passed, July

1st, 1960, interest rates ranged all the way from 6% to 60% --- what the traffic would bear. Of course, at

the higher levels of interest rates the borrower did not know what he was paying, or obviously he would not have



1 a recent With the introduction of the Act, the
2 unscrupulous mortgage broker now realized he is being
3 watched. This combined with close scrutiny of advertise-
4 ments and all the attendant publicity, the denial of
5 six applications for a licence, and the threat of losing
6 those licences had the effect of dramatically lowering
7 interest rates. Today prime second mortgage interest
8 rates are common at the 9% level, and any person with
9 a 20% equity remaining in his home after the second
10 mortgage goes on can readily obtain a rate of 12 to 13%.
11 Borrowers who do not shop around are still paying
12 in some instances as high as 20% even though they may
13 have a 20% equity. Then there are those who should not
14 be borrowing, because of little or no equity, poor
15 property or poor location, or even poor creditographies.
16 He can only get loans from certain persons who charge a
17 high enough bonus to enable them to sell the mortgage at
18 a discount high enough to flush out the greedy lenders.
19 In such cases the effective rate of interest is still
20 as high as 35% or more. High interest rates are usually
21 a result of a bonus payment which often is quoted as
22 a service charge or all-inclusive fee or some such
23 name. the builder or vendor could sell at a substantial
24 discount We have partly solved this problem by now
25 requiring on the statement of mortgage form the disclosure
26 of the minimum interest rates whenever a bonus is and
27 charged. Where the broker attempts to evade this
28 requirement, by calling the bonus something else, he
29 runs the risk of an investigation for charging excessive
30 or exorbitant fees or expenses. This is accomplished by



With the introduction of the Act, the

unscrupulous mortgage broker now realized he is being

watched. This combined with close scrutiny of advertise-

ments and all the attendant publicity, the denial of

six applications for a licence, and the threat of losing

those licences had the effect of dramatically lowering

interest rates. Today prime second mortgage interest

rates are common at the 8% level, and any person with

a 20% equity remaining in his home after the second

mortgage goes on can readily obtain a rate of 12 to 13%.

Borrowers who do not shop around are still paying

in some instances as high as 20% even though they may

have a 20% equity. Then there are those who should not

be borrowing, because of little or no equity, poor

property or poor location, or even poor creditworthiness.

He can only get loans from certain persons who charge a

high enough bonus to enable them to sell the mortgage at

a discount high enough to flush out the greedy lenders.

In such cases the effective rate of interest is still

as high as 35% or more. High interest rates are usually

a result of a bonus payment which often is quoted as

a service charge or all-inclusive fee or some such

name.

We have partly solved this problem by now

repealing on the statement of mortgage form the disclosure

of the minimum interest rates whenever a bonus is

charged. Where the broker attempts to evade this

requirement, by calling the bonus something else, he

runs the risk of an investigation for charging excessive

or exorbitant fees or expenses. This is accomplished by



1 a recent amendment to the Act empowering the Registrar
2 to make such investigations. The statement of mortgage
3 form, of course, requires the broker to show all charges
4 whether called bonus or otherwise, and now also requires
5 that the statement of mortgage form be given to the
6 borrower at least 24 hours in advance of the borrower
7 being required to sign the mortgage. The purpose of
8 this is that the borrower has an opportunity to study
9 the figures disclosed on the form and to study the
10 proposals, and we hope, to consult a lawyer or someone
11 knowledgeable before he signs.

12 The scandals in the mortgage business reached
13 a peak prior to The Mortgage Brokers' Registration Act
14 coming into force on July 1st, 1960. In the post-war
15 years, most of us suddenly began to hear of the fortunes
16 being made in buying mortgages at discounts. We thought
17 it was all quite honourable and a good number of our
18 friends bought such mortgages in good faith. Little did
19 they know that a purchaser of a home was actually
20 involved; that the mortgagor was not being able to meet
21 the down-payment requirements and paid an inflated
22 price for the home and had given back a second mortgage
23 which the builder or vendor could sell at a substantial
24 discount and still get his investment back. This
25 market for mortgage money apparently began to dry up
26 in the late fifties and the broker, not necessarily and
27 not usually the lender, was loathe to get go of a good
28 thing. He is a keen student of finance and credit in
29 general and realized something that is becoming
30 more and more apparent today, namely, that the consumer



to make such investigations. The statement of mortgage
form, of course, requires the broker to show all charges
whether called bonus or otherwise, and now also requires
that the statement of mortgage form be given to the
borrower at least 24 hours in advance of the borrower
being required to sign the mortgage. The purpose of
this is that the borrower has an opportunity to study
the figures disclosed on the form and to study the
provisions, and we hope, to consult a lawyer or someone
knowledgeable before he signs.

The scandal in the mortgage business reached
a peak prior to The Mortgage Broker's Registration Act
coming into force on July 1st, 1960. In the post-war
years, most of us suddenly began to hear of the fortunes
being made in buying mortgages at discounts. We thought
it was all quite honorable and a good number of our
relatives bought such mortgages in good faith. Little did
they know that a purchaser of a home was actually
involved: that the mortgagor was not being able to meet
the down-payment requirements and paid an inflated
price for the home and had given back a second mortgage
which the builder or vendor could sell at a substantial
discount and still get his investment back. This
market for mortgage money apparently began to dry up
in the fifties and the broker, not necessarily and
usually the lender, was left to get by on a good
thing. He is a lone figure in a business which is
becoming something that is becoming



1 in many cases has over-bought on credit, and his monthly
2 contractual installment payments uses most of his
3 disposable income and in some cases exceeds it. The
4 consumer is looking for some relief and has forgotten
5 about the locked in equity he had in his home, because he
6 wanted to keep this inviolate, but the mortgage
7 broker has not forgotten, and he hit upon the scheme
8 of telling the consumer how easy it was to borrow any
9 amount from \$1,501.00 to escape The Small Loans Act
10 of \$1,500.00 to \$10,000.00 or more on his signature only.
11 No bankable security is required and with low monthly
12 payments --- some as low as \$25.00 a month. No mention
13 was made in the advertisements that the company was not
14 a loan company; the effective rates of interest, or that
15 a mortgage was involved; just a passing reference to
16 "even if your home is not fully paid for". The borrower
17 was attracted by this bait and if he had a home he would
18 oftentimes finish up with a mortgage loan at
19 unconscionable interest rates maturing in three to five
20 years with a balloon payment required equal to or
21 greater than the sum he had initially received. How is
22 this done? Bearing in mind that the borrower thought
23 he was dealing with a reputable lending institution,
24 he seldom if ever consulted a lawyer. He was desperate
25 for money --- so much so that he believed everything
26 told to him and actually signed mortgage documents in
27 blank not knowing he was giving a mortgage. In the few
28 cases where he was alert enough to recognize a mortgage,
29 the mortgage being written at a nominal 7% rate allayed
30 his suspicions. If he went further and questioned the



1 in many cases has over-bought on credit, and his monthly
2 contractual installment payments are most of his
3 disposable income and in some cases exceeds it. The
4 consumer is looking for some relief and has forgotten
5 about the fact that equity he had in his home, because he
6 wanted to keep this inviolate, but the mortgage
7 broker has not forgotten, and he hit upon the scheme
8 of telling the consumer how easy it was to borrow any
9 amount from \$1,501.00 to escape The Small Loan Act
10 of \$1,500.00 to \$10,000.00 or more on his signature only.
11 No bankable security is required and with low monthly
12 payments --- some as low as \$25.00 a month. No mention
13 was made in the advertisements that the company was not
14 a loan company; the effective rates of interest, or that
15 a mortgage was involved; just a passing reference to
16 "even if your home is not fully paid for." The borrower
17 was attracted by this bait and if he had a home he would
18 sometimes finish up with a mortgage loan at
19 unreasonably interest rates maturing in three to five
20 years with a balloon payment required equal to or
21 greater than the sum he had initially received. Now is
22 this done? Bearing in mind that the borrower thought
23 he was dealing with a reputable lending institution,
24 he seldom if ever consulted a lawyer. He was responsible
25 for money --- so much so that he believed everything
26 told to him and actually signed mortgage documents in
27 blank not knowing he was giving a mortgage. In the few
28 cases where he was alert enough to recognize a mortgage,
29 the mortgagee being wise as a woman, he was misled
30 by the mortgagee's representation that the mortgage was



1 bonus which was invariably called the finance service
2 charge, he was easily put off by being told that it was
3 the precalculated interest over the life of the mortgage.
4 Little did he realize that these charges were part of the
5 face amount of the mortgage and were subject to the
6 stated interest rate as well. With the enactment of The
7 Mortgage Brokers' Registration Act, effective July 1st,
8 '60, and the attendant publicity, the Department of
9 Insurance first attacked false misleading of the subject
10 advertising, after having, of course, denied registration
11 to six mortgage brokers at the outset who operated under
12 sixteen different corporate fronts. This control
13 diligently applied, thrust the threat of cancellation of
14 registration, and most important, the threat of an
15 action under The Unconscionable Transactions Relief
16 Act brought matters under a measure of control until
17 the Fall of 1962, when the Supreme Court of Ontario ---
18 that should have read the Appeal Court of Ontario ---
19 declared The Unconscionable Transactions Relief Act
20 ultra vires. The decision, we understand, is being
21 appealed by the Province to the Supreme Court of Canada,
22 but in the meantime the unscrupulous mortgage
23 broker and credit granter is pretty well left unchallenged
24 as to the charges he levies. The mortgage broker, of
25 course, is subject to the previously mentioned amendments
26 to The Mortgage Brokers' Registration Act which we
27 hope working with competition for mortgage business
28 will keep them in line. Holtbill and Black, the author of
29 the offer of "Buy Now and Pay Later". "When it comes to
30 knowing the cost of credit, the American consumer is



bonus which was invariably called the finance service
 charge, he was easily put off by being told that it was
 the precalculated interest over the life of the mortgage.
 Little did he realize that these charges were part of the
 face amount of the mortgage and were subject to the
 assessed interest rate as well. With the enactment of The
 Mortgage Brokers' Registration Act, effective July 1st,
 '60, and the attendant publicity, the Department of
 Finance first attacked false misleading of the subject
 advertising, after having, of course, denied registration
 to six mortgage brokers at the outset who operated under
 sixteen different corporate fronts. This control
 diligently applied, through the threat of cancellation of
 registration, and most important, the threat of an
 action under The Unconscionable Transactions Relief
 Act brought matters under a measure of control until
 the fall of 1962, when the Supreme Court of Ontario ---
 Lord Abbott has read the Appeal Court of Ontario ---
 declared The Unconscionable Transactions Relief Act
 ultra vires. The decision, we understand, is being
 appealed by the Province to the Supreme Court of Canada.
 But in the meantime the unconscionable mortgage
 broker and credit grantor is pretty well immobilized
 as to the charges he is levying. The mortgage broker, of
 course, is subject to the previously mentioned amendments
 to The Mortgage Brokers' Registration Act which we
 are working with competition for mortgage business
 will keep them in line. Holbitt and Black, the subject
 of "Buy Now and Pay Later". When it comes to
 the cost of credit, the American consumer is



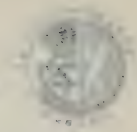
1 undoubtedly one of the most ignorant, illiterate and
2 easily deceived. When buying on time, he acts and is
3 treated like an ignorant tourist in a foreign land,
4 incapable of even translating the value of the coin he
5 uses and here readily accepts the first price given him.
6 Surveys show that two-thirds of the users of installment
7 credit do not know the amount of carrying charge or the
8 interest rates on their most recent installment purchases,
9 even high-income people --- people with a college
10 education --- when asked what was the cost of installment
11 credit, thought it was 6% or less." That is Item four
12 above. He thinks credit costs about 6%. Now, if he
13 were told at the outset that it would cost him perhaps 20%
14 would he stop, look and listen? We will never know
15 until we make an all-out effort to tell him, and
16 this raises the question of how to tell him. The
17 credit granter who finances his own credit knows what
18 the cost is expressed as the annual effective rate --
19 interest rate --- likewise the credit granter who
20 is using finance companies or is selling a discount
21 in his favour can get those figures from the company
22 with whom he is dealing. The figure need not be exact
23 to three decimal points and certainly can be calculated
24 at once within one point either way. It need not even
25 be called effective rate of interest, and I suggest
26 that a method similar to the formulae devised for
27 the mortgage brokers and having them declared a minimum
28 interest rate could be devised for all credit granters.
29 The form could be patterned along the lines of a
30 statement of mortgage form.



undoubtedly one of the most ignorant, illiterate and
easily deceived. When buying on time, he acts and is
treated like an ignorant peasant in a foreign land.
[illegible]
uses and heroically accepts the first price given him.
Surveys show that two-thirds of the users of installment
credit do not know the amount of carrying charge on the
interest rates on their most recent installment purchases.
even high-income people --- people with a college
education --- when asked what was the cost of installment
credit, thought it was 5% or less. That is the level
above. He thinks credit costs about 5%. Now, if he
were told at the outset that it would cost him 20%, 30%
would he stop, look and listen? We will never know
until we make an all-out effort to tell him, and
this raises the question of how to tell him. The
credit manager who figures his own credit knows what
[illegible]
interest rate --- likewise the credit manager who
is using finance companies or is selling a discount
in his town can get those figures from the company
with whom he is dealing. The figure need not be close
to these decimal points and certainly can be correct and
be used as a guide. I suggest
that a method similar to the formula devised for
the mortgage brokers and having them declare a minimum
interest rate could be devised for all credit transactions.
[illegible]



1 Most persons still use credit wisely, but
2 the number who do not has been increasing by leaps and
3 bounds. Credit statistics released here show that
4 Canadians now owe three and a half times as much to banks
5 in the form of personal unsecured loans as they did in
6 1954. Debts to department stores on both charge and
7 installment accounts are doubled in that period. The
8 Bureau of Statistics estimates that the overall amount
9 outstanding in the various kinds of consumer credit
10 reached three billion, six hundred and sixty-four million
11 dollars as of March 31st, '63; a rise of three hundred
12 and one million dollars in one year. Now, I would like
13 to qualify that paragraph by admitting that these
14 statistics by themselves can be meaningless, because
15 you have to pay attention to the increase in population
16 and the increase in gross national product and all
17 other such factors. Why did that merchant who is
18 permitted to use two standards in thinking of credit
19 is hard to understand. As a businessman he knows that
20 when he borrows and buying on credit is borrowing --- he
21 must do so for a productive reason, yet that same
22 businessman by false, misleading and deceptive advertising
23 and techniques is constantly urging the consumer public
24 to buy on credit anything and everything, whether it
25 be for a productive reason or not. Being able to buy
26 on credit does not increase the person's take-home
27 pay. It temporarily increases purchasing power, but
28 unless that person's earnings are capable of meeting
29 his installments commitments, including interest, he
30 is anticipating increased earnings in the future that



Most persons still use credit wisely, but the number who do not has been increasing by leaps and bounds. Credit statistics released here show that Canadians now owe three and a half times as much to banks in the form of personal unsecured loans as they did in 1954. Debt to department stores on both charges and installment accounts are doubled in that period. The Bureau of Statistics estimates that the overall amount outstanding in the various kinds of consumer credit reached three billion, six hundred and sixty-four million dollars as of March 31st, 1958; a rise of three hundred and one million dollars in one year. Now, I would like to qualify that paragraph by admitting that these statistics by themselves can be meaningless, because you have to pay attention to the increase in population and the increase in gross national product and all other such factors. Why did that merchant who is permitted to use two-thirds in thinking of credit is hard to understand. As a businessman he knows that when he borrows and pays on credit is borrowing -- he must do so for a productive reason, yet that same businessman by false, misleading and deceptive advertising and techniques is constantly urging the consumer to go to buy on credit anything and everything, whether it be for a productive reason or not. He is able to buy on credit does not increase the person's bank balance. It temporarily increases purchasing power, but unless that person's earnings are capable of meeting his installment commitments, including interest, he is accumulating increased earnings in the future that



1 he may not realize for a variety of reasons. The end
2 result can be and often is that by buying on credit
3 the consumer is actually reducing his ultimate purchasing
4 power by allowing interest charges to eat away his
5 disposable income. A great deal of credit buying today
6 we have to suspect is the wrong kind because it is
7 for a non-productive reason and costs the buyer
8 interest-wise too high a percentage of his take-home
9 pay. As evidence of this we note the increase in the
10 volume of accounts being given to collection agencies,
11 but the agencies seldom recover as much as 50%, but
12 the number of debtors who are now classed as skips,
13 frauds, judgment proof
14 and habitual debtors has increased alarmingly. The
15 division courts are literally swamped with small claims
16 and they are accused of being sympathetic towards the
17 debtor; that the number of consolidations is increasing
18 and that the number of unpaid judgments is staggering.
19 Welfare agencies also attest to this by pointing out
20 that most broken homes are a direct result of financial
21 troubles stemming from the misuse of credit. The
22 increase in the number of personal bankruptcies likewise
23 cannot be ignored. I recall reading some time ago
24 that in the year 1957 the U.S. recorded some 73,000
25 bankruptcies of which 63,000 were personal bankruptcies.
26 I might add here that in Canada the personal bankruptcy
27 is not too well known. This is becoming increasingly
28 better known. The over-sold, over-burdened consumer, therefor
29 now seems to be turning to this avenue as a means
30 of escaping his debts, which he obviously considers cannot



...may not realize for a variety of reasons. The end
...the consumer is actually refusing his ultimate purchasing
...disposable income. A great deal of credit buying today
...we have to suspect is the wrong kind because it is
...for a non-productive reason and costs the buyer
...interest-wise too high a percentage of his take-home
...pay. As evidence of this we note the increase in the
...volume of accounts being given to collection agencies,
...but the agencies seldom recover as much as 50%, but
...the number of debtors who are now classed as skips,
...friends, judgment proof,
...and national debtors has increased alarmingly. The
...division courts are literally swamped with small claims
...and they are accused of being sympathetic towards the
...debtor; that the number of consolidations is increasing
...and that the number of unpaid judgments is staggering
...Wellington agencies also attest to this by pointing out
...that most broken homes are a direct result of financial
...troubles stemming from the misuse of credit. The
...increase in the number of personal bankruptcies likewise
...cannot be ignored. I recall reading some time ago
...that in the year 1957 the U.S. recorded some 73,000
...bankruptcies of which 68,000 were personal bankruptcies.
...I might add here that in Canada the personal bankruptcy
...is not too well known. This is becoming increasingly
...more and more so. The number of personal bankruptcies in
...the U.S. is increasing at a rapid rate.



1 be paid out of current or future earnings. The yoke
2 of high-priced cost bears most heavily on the shoulders
3 of the consumer who can least afford it, and I don't
4 think anyone can challenge the estimate that the average
5 cost of consumer credit passed to the consumer is about
6 18 to 20%. This is a very conservative estimate. The
7 attack then has to be a combination of public education
8 and legislation imposing disclosure by credit granters
9 of actual effective credit costs. Again we have two
10 standards --- the businessman when he borrows or buys
11 on credit wants to know above all the cost of credit as
12 an annual percentage figure, yet when Senator Croll's bill
13 was brought forward the businessmen raised a fearful hue and c
14 that it was too difficult to calculate and anyhow the credit
15 buyer only wanted to know, and only and only need
16 know what the dollar cost is. That may be so, but if
17 the debt merchant has nothing to hide, his claim that
18 interest is difficult to calculate is not a valid
19 reason for not giving the credit buyer the interest
20 rates as well as the dollar cost of the credit
21 he is seeking or receiving.

22 What is sauce for the goose should be sauce for the gander.

23 Then having that information which should be
24 strengthened by educational programs beginning in the
25 schools, if the consumer continues to go further and
26 further into debt, that's his business, but it could
27 become Government business to decide if it is in the
28 economic interest of the country as a whole to have
29 more and more families on a pay-cheque to pay-cheque
30 basis and literally hours away from insolvency.



...out of current or future earnings. The year
of high-priced cost bears most heavily on the shoulders
of the consumer who can least afford it, and I don't
think anyone can challenge the estimate that the average
cost of consumer credit passed to the consumer is about
18 to 20%. This is a very conservative estimate. The
attack then has to be a combination of public education
and legislation imposing disclosure by credit grantors
of actual effective credit costs. Again we have the
standards --- the businessmen when he borrows on paper
on credit wants to know above all the cost of credit as
an annual percentage figure, yet when Senator Griffin bill
was brought forward the businessmen raised a fearful howl
that it was too difficult to calculate and anyhow the credit
buyer only wanted to know, and only and only need
know what the dollar cost is. That may be so, but if
the debt merchant has nothing to hide, his claim that
interest is difficult to calculate is not a valid
reason for not giving the credit buyer the interest
rates as well as the dollar cost of the credit.
...is lending or receiving
What is sauce for the goose should be sauce for the gander.
Then having that information which should be
strengthened by educational programs beginning in the
schools, if the consumer continues to go further and
further into debt, that's his business, but it could
become government business to decide if it is in the
economic interest of the country as a whole to have
...on a pay-charge to ...
...away from inflation.



1 Now, in a free enterprise, democratic economy such as
2 ours, to suggest that credit restrictions be imposed is
3 a heresy. So the problem has to be attacked from another
4 angle, not that credit restrictions can be ruled out
5 forever, because time may show that business and the
6 consumer will not discipline themselves in this regard.

7 THE CHAIRMAN: Is there anything you wish to
8 add to your submission at this time, Mr. Simone?

9 MR. SIMONE: Yes, I made a few brief notes
10 while the previous speakers were here.

11 Show a minimum rate of interest on all credit
12 purchases and loans, show a minimum rate, as we did with
13 the mortgage brokers. Such other factors as the amount
14 of the monthly payments and the terms etc. were ignored,
15 because you bring them into the calculation, they
16 do only one thing, and that is increase the interest rate, so
17 we settle for a minimum rate which, strangely enough,
18 has not been challenged by the mortgage brokers. I had
19 one inquiry as a result of this new requirement.

20 THE CHAIRMAN: Would you repeat that. I
21 didn't hear it.

22 MR. SIMONE: If you saw this sample of
23 statement of mortgage form we sent to the brokers with
24 an information bulletin, where we establish this new
25 requirement to be shown, frankly we have misgivings
26 because we know that it could be in conflict with the
27 Interest Act, but 700 mortgage brokers who got this
28 notice only one challenged it as being inaccurate and
29 I satisfied him by merely pointing out that we would
30 try and establish an effective rate, merely a minimum rate



...in a free enterprise, democratic economy such as
ours, to suggest that credit restrictions be imposed is
a heresy. So the problem has to be attacked from another
angle, not that credit restrictions can be ruled out
forever, because time may show that business and the
consumer will not discipline themselves in this regard.

THE CHAIRMAN: Is there anything you wish to

add to your submission at this time, Mr. Simon?

MR. SIMON: Yes, I made a few brief notes

while the previous speakers were here.

...show a minimum rate of interest on all credit
purchases and loans, show a minimum rate, as we did with
the mortgage brokers. Such other factors as the amount
of the monthly payments and the terms etc. were ignored.

because you bring them into the calculation, they
do only one thing, which is to increase the interest rate,
we settle for a minimum rate which, strangely enough,

has not been challenged by the mortgage brokers. I had
one industry as a result of this new requirement.

THE CHAIRMAN: Would you repeat that?

MR. SIMON: If you say this comes of

statements of mortgage loans we seem to be in a position with
an information bulletin, where we establish this new
requirement to be shown, frankly we have misgivings
because we know that it could be in conflict with the
Interest Act, but you mortgage brokers who get this
notice only one challenged it as being impractical and
I satisfied him by saying that out that we would



1 and he could not challenge our statement, but no matter
2 what happens to the calculation if you bring in the
3 amount of the monthly payment, the amortization, the
4 balloon payment if any, at the end --- those factors
5 merely increase the rate. They do not reduce it.

6 MR. MacDONALD: Isn't that the reason why
7 there is likely to be no protest?

8 MR. SIMONE: I suppose it has to be that.

9 MR. MacDONALD: The minimum rate is ---
10 it may serve some value, but it really is in terms of
11 correcting any potential abuse. It is not an effective
12 deterrent, because they can go beyond it anyway, as you
13 can see.

14 MR. SIMONE: Perhaps to show how it will work, let's
15 take the example of a man who borrows \$2,500.00 agrees to repay
16 \$3,000.00 on a second mortgage at 7% for five years.
17 When you translate that \$500.00 bonus at an effective
18 rate of interest it can be established that it is
19 costing him 17.7%. By our minimum formula, the rate
20 that the broker has to now reveal to the borrower is 12.4,
21 so we feel that at least the borrower is being told he is not
22 paying seven; he is paying 12.4. Perhaps he should
23 shop around.

24 MR. WHITE: Mr. Simone, I should have thought
25 the word would be maximum.

26 MR. SEDGEWICK: That's what I was thinking.
27 Why deceive him by saying 12.4 when he is saying 17.7?

28 MR. SIMONE: Because the 17.7 figure can
29 be challenged by the mathematicians. They use different
30 formulas for calculating the effective rate of interest.

and he could not challenge our statement, but no matter what happens to the calculation if you bring in the amount of the monthly payment, the amortization, the balloon payment if any, at the end -- those factors merely increase the rate. They do not reduce it.

MR. McDONALD: Isn't that the reason why

there is likely to be no protest?

MR. SIMONE: I suppose it has to be that.

MR. McDONALD: The minimum rate is --

it may serve some value, but it really is in terms of correcting any potential abuse. It is not an effective statement, because they can go beyond it anyway, as you

MR. SIMONE: Perhaps to show how it will work

take the example of a man who borrows \$9,500.00 agreed to pay \$3,000.00 on a second mortgage at 12 for five years.

When you amortize that \$900.00 bonus at an effective

rate of interest it can be established that it is

costing him 17.75. By our minimum formula, the rate

that the broker has to now reveal to the borrower is 17.75,

so we feel that at least the borrower is being told he is

paying seven; he is paying 12.4. Perhaps he should

only account.

MR. WITTE: Mr. Simone, I should have thought

the word would be maximum

MR. SIMONE: That's what I was thinking

Why deceive him by saying 12.4 when he is saying 17.75?

MR. SIMONE: Because the 17.7 figure can

be challenged by the mathematicians. They use different



1 Would you like to hear one of the formulas?

2 MR. SEDGEWICK: I would, yes.

3 MR. SIMONE: This is called the Ingray.
4 formula. I-N-G-R-A-Y. The initial "I" stands for the
5 interest, "N" stands for the net amount to the borrower,
6 "G" stands for the gross amount that he receives ---

7 MR. SEDGWICK: Gross amount received?

8 MR. SIMONE: Yes. The gross amount that he
9 signs for.

10 MR. SEDGWICK: That is right, gross amount.

11 MR. SIMONE: "R" stands for total principal
12 repayment. "A" stands for the term, and "Y" stands for
13 the yield. Now, here is the formula: Two I.G. minus
14 I.R., plus 200 over G and plus 200 times G over A, minus
15 200 times N over A equals Y times G plus N minus R.

16 MR. REILLY: God bless Ingray.

17 --- (Riotous hilarity)

18 MR. SIMONE: Now, this is actually used
19 by one of our leading mortgage brokers in town. Don't
20 ask me what the 200 stands for; I think it is some sort
21 of a leavening factor.

22 I think this man is back in the bush. He
23 wouldn't know anything about --- he doesn't need it
24 in the bush. Take a man out of anything except the
25 mathematics department ---

26 MR. MacDONALD: Mr. Simone, in your view ---
27 maybe this isn't a fair question --- maybe it is
28 premature, but in your view is it possible to devise
29 regulations that would spell out sufficient of the basic
30 factors and make it mandatory so that you would eliminate



Would you like to hear one of the formulas?

MR. SIMONE: Yes.

MR. SIMONE: Yes.

formula. I-N-G-R-A-Y. The initial "I" stands for the

interest, "N" stands for the net amount to the borrower,

"G" stands for the gross amount that he receives --

MR. SIMONE: Yes.

MR. SIMONE: Yes. The gross amount that he

signs for.

MR. SIMONE: That is right, gross amount.

MR. SIMONE: "R" stands for total principal

repayment. "A" stands for the term, and "Y" stands for

the yield. Now, here is the formula: 200 L.G. M.

I.R., plus 200 over G and plus 200 times G over A minus

200 times N over A equals Y times G plus N minus R.

MR. SIMONE: God bless money.

---(Sigh)---

MR. SIMONE: Now, this is actually used

by one of our leading mortgage brokers in town. Don't

ask me what the 200 stands for; I think it is some sort

of a leveling factor.

I think this man is back in the bush. He

wouldn't know anything about --- he doesn't need it

in the bush. Take a man out of anything except the

mathematical department ---

MR. McDONALD: Mr. Simone, in your view --

--- maybe this isn't a fair question --- maybe it is

--- but in your view is it possible to devise

--- regulations that would spell out sufficient of



1 a lot of this possible confusion.

2 MR. SIMONE: I think so, Mr. MacDonald.

3 I can only remember what the Honourable Kelso Roberts
4 said when he introduced The Mortgage Brokers' Registration
5 Act. I believe you were on that committee and he said
6 I know it is a --- and in fact he said "I know it's a
7 half-baked Act, but it's a step in the right direction ---
8 we've got to do something". Now, look at what has
9 happened in three years in the mortgage field. This Act
10 almost single-handedly has brought a measure of sanity
11 back to this iniquitous situation that existed. Now,
12 what I am suggesting is that some effort be made to
13 legislate, even though it might be in conflict with the
14 Interest Act --- let's surpass the boldness of Quebec ---
15 they passed an Act and no one has challenged it ----
16 no one challenged The Unconscionable Transactions Relief
17 Act, which has been on the statute for years, and surely
18 Legislators who passed it must have been aware of The
19 Interest Act. Incidentally, you might be interested to
20 know the broker who was responsible for challenging
21 that Act wishes now that he hadn't. It cost him a
22 small fortune and he would have been much happier to
23 refund to his --- the amount of money
24 involved. It was a sorry day for Ontario when that Act
25 was declared ultra vires, because that is a big laugh,
26 and I would certainly hope that the Federal Government
27 would pass a comparable Act.

28 THE CHAIRMAN: Mr. Wray (?) do you have
29 any questions? Do you have any further questions, Mr.
30 MacDonald?



lot of this possible confusion.

MR. SIMON: I think so, Mr. MacDonald.

I can only remember what the Honourable Kelso Roberts said when he introduced The Mortgage Brokers' Registration Act. I believe you were on that committee and he said I know it is a --- and in fact he said "I know it's a half-baked Act, but it's a step in the right direction we've got to do something". Now, look at what has happened in these years in the mortgage field. This Act almost single-handedly has brought a measure of sanity back to this infinitely situation that existed. Now, what I am suggesting is that some effort be made to legislate, even though it might be in conflict with the Interest Act --- let's surpass the boldness of Quebec --- they passed an Act and no one has challenged it --- no one challenged The Unconscionable Transactions Relief Act, which has been on the statute for years, and surely legislators who passed it must have been aware of the Interest Act. Incidentally, you might be interested to know the broker who was responsible for challenging that Act wishes now that he hadn't. It cost him a small fortune and he would have been much happier to return to his --- the amount of money involved. It was a sorry day for Ontario when that Act was declared ultra vires, because that is a big laugh, and I think you would have been much happier to have passed a comparable Act.

THE CHAIRMAN: Mr. Why? do you have



1 MR. MacDONALD: No, I no questions other
2 than a word of commendation. It is very encouraging to
3 have a civil servant come and speak as forth-rightly
4 as this, because the thing, if I may point out, yesterday
5 I didn't know that this was coming along, but I
6 personally regret that Mr. MacKenzie is not here, but
7 I as much as said this before --- seemed to raise all
8 the usual arguments as to why you can't do anything,
9 and at least I think we have got this back into
10 perspective we have complaints from some of the
11 civil servants who put it into perspective, but this
12 is nonsense. Something has got to be done, because
13 if you accept all these usual arguments, you're stuck
14 with the status quo, and the status quo is a perfect
15 setup for exploiting people in pretty unconscionable
16 ways.

17 Mr. White?

18 MR. WHITE: Well, I would like to make a
19 brief comment. If the Committee were to decide that
20 it should be necessary in Ontario to show the percentage
21 of interest being charged on a particular contract
22 in some fashion, let's say, the interest rate on this
23 transaction is X percent. That in itself might not
24 solve the problem that still exists, and I like the
25 point that Mr. Simone raises on page 6. The attack
26 has to be a combination of public education and
27 legislative process.
28 You see, if the contract established is necessary at
29 20%, and the buyer has no --- were not --- if he were
30 unsophisticated in matters of credit charges,



Mr. McDONALD: No, I no questions other

than a word of commendation. It is very encouraging to have a civil servant come and speak as forthrightly as this, because the thing, if I may point out, yesterday I didn't know that this was coming along, but I personally regret that Mr. McDonald is not here, but I as much as said this before --- seemed to raise his one usual arguments as to why you can't do anything, and at least I think we have got this back into perspective we have complaints from some of the civil servants who put it into perspective, but this is nonsense. Something has got to be done, because if you accept all these usual arguments, you're stuck with the status quo, and the status quo is a perfect setup for exploiting people in pretty unscrupulous ways.

Mr. WATTS?

Mr. WATTS: Well, I would like to make a brief comment. In the Committee were to decide that it should be necessary in Ontario to show the ownership of interest being charged on a particular company in some fashion, let's say, the interest rates on this transaction is X percent. That in itself might not solve the problem that still exists, and I don't point out that Mr. Simon's release on page 6. The strategy has to be a combination of public education and legislative process. You see, if the contrary were the case, and the payer has no --- were not --- if he were



1 he might think that was a real bargain. I think that is
2 in addition to disclosing the cost of credit.

3 The public school system or somebody should
4 perhaps be attempting to teach the people what various
5 interest rates are charged by different types of lenders
6 and so on, so I think you raised a very important point
7 there.

8 May I ask this: Does your department or
9 any other department of Government to your knowledge publish
10 any kind of a pamphlet on this matter of interest charges?

11 MR. SIMONE: None whatsoever. I have often
12 asked why we don't.

13 MR. WHITE: Now, from a philosophical point
14 of view, and at the risk of being branded reactionary
15 by my colleagues here in this assemblage ---

16 May I point out, Mr. Simone, that what may
17 be productive to the buyer may be considered non-
18 productive to you. For instance, if you elect to go to
19 England via T.C.A. on some kind of a credit plane, an
20 outside observer might think that you were undertaking
21 something non-productive, whereas to you it might be
22 extremely important for a variety of reasons. So I
23 think on page 5, you are getting into some thoroughly --
24 a few things -- value of judgments.
25 That will not, of course, apply in all transactions.

26 As a matter of fact I can remember some years ago when
27 I was even poorer than I am now my wife and I bought
28 a gas stove on credit. It wasn't non-productive, we
29 had to cook our meals and it was very important to us,
30 but somebody perhaps looking at the transaction from
outside might have thought it very foolish.

...right think that was a real bargain. I think that is
...is ...

The public school system or somebody should
perhaps be attempting to teach the people what various
interest rates are charged by different types of lenders
and so on, so I think you raised a very important point

May I ask this: Does your government or
any other department of government or your ...
kind of a pamphlet on this matter of interest charges?
MR. SIMONE: None whatsoever. I have often
asked why we don't.

MR. WHITE: Now, from a philosophical point
of view, and at the risk of being branded reasonably
by my colleagues here in this assembly, ---
May I point out, Mr. Simone, that what may

be productive to the buyer may be considered non-
productive to you. For instance, if you start to go to
England via T.O.A. on some kind of a one-day pass, an
outside observer might think that you were undertaking
something non-productive, whereas to you it might be
extremely important for a variety of reasons. So I
think on page 5, you are getting into some theoretical
a few lines -- value of judgment.
That will not, of course, apply to all circumstances.

As a matter of fact I can remember some years ago when
I was even poorer than I am now my wife and I used
a gas stove on credit. It wasn't non-productive, we
had to cook our meals and it was very important to us,
but somebody perhaps ...



1 MR. SIMONE: I agree, Mr. White. I remember
2 some years speaking to the Associated Credit Bureaus
3 of Canada at a convention and I made a similar statement,
4 and I was challenged because I suggested that -- indirectly
5 suggested there should be some such curbs which I don't
6 dare suggest, but I do suggest that when the automobile
7 manufacturer try to tell me that I should have two
8 cars in my garage and everybody should own a car because
9 it is good for the country, because it keeps the
10 production lines rolling and it makes a job for me, I
11 don't want to buy that sort of thinking. They have a vested
12 interest supporting this idea. Today the man living
13 in Metropolitan Toronto, if he doesn't need a car for
14 business purposes and he is making the average salary,
15 and I know it's dangerous to quote averages, but if he
16 is making the average salary which is around \$4,500.00
17 in the Metropolitan area, he cannot afford to drive a
18 car. This is what I mean when I say if he buys a car
19 he is buying a car for non-productive reasons.

20 Going back to this address I made to the
21 credit bureaus, after the meeting we got into a bull
22 session as often happens, and I asked these credit
23 bureau managers --- I said "How many of you buy on
24 credit at these high rates?". And they had to admit
25 none of them do --- they are too smart to expose
26 themselves to it, but then why the double standard, you
27 know? Why force the consumer to buy this line of
28 reasoning? It is going to be forced on them because,
29 Mr. White, you sensed it yourself. The finance companies,
30 the banks, anyone who lives off credit is going to



MR. SIMMONS: I agree, Mr. White. I remember

some years ago to the Associated Credit Bureau
of Canada as a convicted and I made a statement
and I was challenged by some I suggested that I should
suggested there should be some such cases which I don't
have memory, but I do suggest that when the authorities
investigate try to tell me that I should have two
years in my garage and everybody should own a car because
it is good for the country, because it keeps the
production lines rolling and it makes a job for me. I
don't want to pay that sort of a price. They have a very
interesting suggestion this idea. Today the man talking
in Metropolitan Toronto, if he doesn't need a car for
business purposes and he is making the average salary,
and I know it's dangerous to quote averages, but it is
in making the average salary which is around \$4,000.00
in the Metropolitan area, he cannot afford to buy a
car. This is what I mean when I say it is high a car
as he buying a car for non-productive reasons.
I don't want to go into this question I want to go
credit bureau, after the meeting we got into a
session as other members, and I asked them about
business members -- I said "how many of you do not
credit at this point today?" And they had to come
none of them do -- then they too seem to agree
themselves as it, but then why the double standard, you
know. Why force the consumer to buy this line of
merchandise? It is going to be forced on them because
Mr. White, you sensed it yourself. The Finance Committee



1 promote it, and there is only one agency that can step
2 in and represent the consumer --- the consumer is not
3 knowledgeable; he is not organized; he is not vocal ---
4 there is only one agency that can step in and represent
5 his interests --- I think it is the Government.

6 MR. WHITE: Well, I hate to say, I mean,
7 getting back to that illustration of the car,
8 it may or may not be productive to the individual. I
9 just wouldn't want the Government to enter into that
10 in any way.

11 MR. SIMONE: No, I am not suggesting that.

12 MR. WHITE: If he has a couple of thousand
13 dollars and wants to buy car, well, that's up to him.

14 MR. SIMONE: No. I am suggesting --- this
15 is where education comes in. He has got to be shown that
16 that car would cost him perhaps a thousand dollars a
17 year out of his disposable income. This is staggering,
18 because this man as soon as he starts to pay that kind
19 of money on a non-productive article, his family are
20 going to go without something, and like Medicare -- Medicare
21 is good for the people of this country --- it's good
22 that everybody be healthy --- it's good for the country.
23 Likewise if everybody is financially sound, it's good
24 for the country economically.

25 MR. WHITE: The point I make is that you
26 used the word non-productive. That might be the
27 most productive possession in that wage earner's ---
28 that that wage earner has if it gets him out of the city
29 on weekends and so on, gives his children a chance to
30 get some fresh air and exercise.



...and there is only one agency that can stay
in that position and maintain it -- the government is not
knowledgeable; he is not organized; he is not a
...there is only one agency that can stay in and maintain
his interests -- I think it is the government.

MR. WITTE: Well, I want to say, I mean,

getting back to that illustration of the case,

it may or may not be productive to the business, I
don't think it would be productive to the business, I
in any way.

MR. WITTE: No, I am not suggesting that.

MR. WITTE: It has been a couple of thousand

dollars and wants to pay cash, well, then a lot of

MR. WITTE: No, I am suggesting --

it seems to me that it is a lot of money that

that man would want to pay a thousand dollars a

year out of his disposable income. That is something

...the man as soon as he starts to pay that

at money on a non-productive basis, his family and

noting to go without something, and the man is

is good for the people of this country -- that's good

that everybody is better off -- it's good for the country

...it is a good thing for the country, and it is

...that is the way to go.

MR. WITTE: The point I want to make

...that is the way to go.

...that is the way to go.

...that is the way to go.

...that is the way to go.



1 MR. MacDONALD: Regardless of an education
2 or an adequate food budget?

3 MR. SIMONE: Oh well, maybe so.

4 MR. MacDONALD: --- they go without.
5 If it is \$1,000.00 or \$4,500.00 ---

6 MR. WHITE: This type of --- call it
7 education if you want, or call it moral persuasion
8 but I would certainly hate to see the Government get
9 into that kind of direction of the citizenry, because it
10 smacks of totalitarianism. It may be that the Government
11 should insist that the cost of credit be expressed as
12 a percentage. It may be that they should further
13 educate the children in the province that various rates
14 of interest are charged by various lending agencies ---
15 some may be too high, and so on and so forth. If we
16 decide to do that, it seems to me that the Government
17 should go no further, because it is up to the individual
18 consumer what he wants to do with his money. That is
19 the kind of thing that I find very abhorrent. The
20 N.D.P., of course, is all for that approach. They think
21 everybody else
22 the higher-ups, because I don't believe in that. And so
23 as a matter of philosophy I want to make the comment
24 that what may be non-productive to this, gentlemen,
25 may be extremely productive to the consumer himself.

26 MR. MacDONALD: I will make this very brief
27 comment, and not get into this philosophic argument
28 by refusing to go any further than Mr. White has
29 indicated he, in effect, wants to lean certain pressures
30 and directions which come from people who are completely

MR. WOODWARD: Remarks of an education

MR. BROWN: On what basis do

MR. WOODWARD: -- -- -- they go without

It is \$1,500.00 or \$4,500.00 -- --

MR. WOODWARD: I am going to -- call it

education if you want, on call it moral education

but I would certainly like to see the Government get

into that kind of thing, and the character of the

method of socialization. It may be that the Government

should make the cost of credit be assigned a

a percentage. It may be that they should limit

education the children in the provinces that would make

of interest and charged by various leading agencies --

some may be too high, and so on and so forth. If we

decide to do that, it seems to me that the Government

should go no further, because it is up to the individual

consumer what he wants to do with his money. Then he

the kind of thing that I find very important. The

N.D.P., of course, is all that important. That is

everybody else

the children, because I don't believe in that, and so

as a matter of philosophy I want to make the point

that what may be non-productive to this, education,

may be extremely productive to the consumer himself.

MR. WOODWARD: I will make this very point

comment, and not get into the philosophical and legal

by refusing to go any further than Mr. White has

indicated me, in effect, wants to have certain products



1 irresponsible in dictating how in effect money is being
2 spent.

3 Would you leave your credit potential -- In
4 other words, you leave your credit fraternity the free
5 reign they have got today. They are just as effectively
6 directing how people's money is being spent as though the
7 Government laid it down as A, B, C, D.

8 As a matter of fact, the kind of argument
9 you put forward, despite its overtones with regard to
10 the N.D.P., is if you want to leave
11 the free enterprise structure, regiment the people into
12 doing what they are now doing under the name of Freedom.
13 Behind the scenes there is not Freedom --- the whole
14 impact of advertising, of the credit promotion and
15 everything else ---- sure nominally he is free to do
16 it, but in fact the pressures are so great that he in
17 effect on that is doomed. And he is really as effect-
18 ive as if the government laid down the law.

19 MR. REILLY: The consumer does make the
20 choice, doesn't he, Mr. MacDonald?

21 MR. MacDONALD: The consumer makes the choice
22 after he has been submitted to such ---

23 MR. REILLY: You wouldn't deprive him of the choice, would
24 you?

25 MR. MacDONALD: Let me put it this way.

26 MR. REILLY: The consumer makes the choice
27 in exactly the same way as the consumer in Russia makes
28 a choice. After he has been so completely brain-washed
29 that he is incapable of coming to any other conclusion,
30 he then presumably is making a free choice. It is exactly



responsibility in determining how to effect change is being
shared.
Would you have your own potential --
other words, you have your own potential, but you have
very little power, and you have very little influence
directing how people's money is being spent or how the
government is being run.
As a member of the public, the kind of statement
you are following, despite the fact that you are not
the U.S. Government, is that you want to know
the true intentions of the government, and you want to know
whether they are doing what they say they are doing.
Behind the scenes, there is a lot of work -- the work
of understanding of the world's situation and
everything else -- and you are not in the line to do
it, but in fact the government has to make laws in the
effort of that in domestic. And he is really a member
of the government, and he is not a member of the
government, but he is a member of the government.
MR. FELLIN: Who is the member of the government?
Answer, I think, is the government.
MR. FELLIN: The government is the government, and the
effort has been made to make --
MR. FELLIN: You are talking about the effort of the government, which
is the effort of the government, and the effort of the government.
MR. FELLIN: The effort of the government is the effort of the government.
The government makes the effort.
In fact, the effort of the government is the effort of the government.
The effort of the government is the effort of the government.
The effort of the government is the effort of the government.



1 the same philosophy, as a matter of fact. If you brain-
2 wash the people so completely with a certain approach
3 to credit, then they will do only one thing. If you
4 brain-wash the people of Russia, they will do only one
5 thing --- 98% will vote for Khrushchev.

6 MR. REILLY: You don't have much faith in
7 the intelligence of the people.

8 MR. MacDONALD: Well, I have great faith in the
9 intelligence of the people, but the intelligence of the
10 people is going to be able to express itself only if they
11 can see both sides of the question, and the reason why
12 this Committee is sitting is so that we can open up
13 some of the avenues of the current status quo ---
14 the existing credit fraternities, so to speak, want
15 to keep those so that the people won't know how they
16 are being hoodwinked.

17 MR. REILLY: Well, if the people earn
18 \$4,500.00 or \$5,000.00 a year, I think they should
19 have a right to spend that the way they like
20 rather than make their decision. I wouldn't want to
21 interfere with their decision whatsoever.

22 MR. MacDONALD: You should not be on the Committee.
23 Now, if the purpose of this
24 Committee is going to be at least open up some doors for
25 getting information to the people so that they can come
26 to a more intelligent decision instead of being so
27 helpless a victim of a brain-washing advertising
28 approach to credit, so that they end up doing things
29 that --- and they are doing --- much of the sense
30 of direction if if they were laid down by law.



the same principle, as a matter of fact, it is a right
wash the people as completely with a certain degree
to credit, then they will do only one thing. If you
prohibit the people of Russia, they will do only one
thing -- Q88 Will you not answer?
MR. KELLEY: Now don't have much faith in
the intelligence of the people.
MR. KELLEY: Well, I have great faith in the
intelligence of the people, but the intelligence of the
people is not to be able to answer itself only it is
can not both sides of the question, and the reason why
this Committee is sitting is so that we can open up
some of the avenues of the current states pro --
and existing credit institutions, so as to speak, want
to keep those so that the people won't know how they
are being controlled.
MR. KELLEY: Tell the people that
\$1,500.00 or \$2,000.00 a year, I think they would
have a right to demand that the way they like
to have their money. I wouldn't wish to
interfere with their decision whatever.
Now, if the purpose of this
Committee is going to be to limit open up some doors for
getting information to the people so that they can come
to a more intelligent and a freedom of being so
refused a right of a free-market in everything
approach to credit, so that they can do things
that -- and they are doing -- much of the same



1 MR. EILLY: You don't think that there
2 are people who earn certain amounts of money who want
3 to spend that money the way that they like to spend it ---

4 MR. MacDONALD: Sure.

5 MR. REILLY: --- and take the enjoyment that
6 they want

7 enjoyment? Are you going to tell them what to do?

8 MR. MacDONALD: No.

9 MR. REILLY: I'm not.

10 MR. MacDONALD: No. But your credit organizations
11 who are presumably coming here to examine the activity
12 of are, in effect, doing so.

13 MR. REILLY: No, they are talking about

14
15 they are charging. They are in business

16

17

18

19

20

21

22 THE CHAIRMAN: Mr. Simone's submission, suggesting
23 that the public should have a little better idea what they
24 are paying. Mr. White has said that they should make sure
25 that --

26 MR. REILLY: I should like to ask Mr. Simone,
27 Mr. Chairman, how long this mortgage form has been in
28 effect and is this the mortgage form that I see in front
29 of me. One is marked revised, and I am assuming then
30 that this is a revision of the original which lay below it;



MR. TELLER: -- and have the telephone call

they want

and you like to tell them that you do

MR. TELLER: I am not

MR. TELLER: I am not

who are presentative on the part of the committee

it was the effect, it was not

MR. TELLER: -- and you noticed about

they are interested, they are in the line

and the public in the line, it is not a little better than the

and saying, MR. TELLER: -- and that they should not

that --

MR. TELLER: I cannot find to ask you

MR. TELLER: -- and that message from the

effect and in this the message from the

MR. TELLER: -- and I am not sure that



1 is that correct?

2 MR. SIMONE: That is correct.

3 MR. REILLY: And this has been in effect
4 since '60 or '61?

5 MR. SIMONE: The has been in effect
6 since approximately July the 1st, '60.

7 MR. REILLY: Does this apply to every
8 mortgage issued whether first, second, or third mortgage?

9 MR. SIMONE: It only applies to mortgages
10 arranged by people who are registered under the Act,
11 whether first, second or third.

12 MR. REILLY: Now, would you mind
13 clarifying that by people who are under the Act?

14 MR. SIMONE: Yes. That, for example, a lawyer
15 who would arrange a mortgage in the ordinary practice
16 of his profession who doesn't class himself as a
17 mortgage broker who does not complete this loan, but a
18 lot of them strangely enough, by conceding

19 MR. REILLY: I thought I heard you say something
20 about seven hundred mortgage brokers; is that
21 correct?

22 MR. SIMONE: That last count we had seven
23 hundred mortgage brokers right in this province
24 of which 162 were lawyers or legal firms.

25 MR. REILLY: Then there may be real estate
26 men or lawyers who would prepare and sell -- purchase and
27 sell property and which they would allow first,
28 second, or third mortgages and not come under this.

29 MR. SIMONE: Mr. Reilly, all real estate
30 brokers are automatically registered under ---



1 MR. REILLY: They are.

2 MR. SIMONE: --- so that they would
3 have to complete this form.

4 MR. REILLY: Fine.

5 MR. SEDGWICK: Mr. Simone, why are lawyers
6 exempt? I don't see them in the ---

7 MR. SIMONE: No, they are not exempt. There
8 are 700 that we have registered in the province, and
9 only 150 lawyers consider themselves ---

10 MR. SEDGWICK: ---mortgage brokers.

11 MR. SIMONE: --- mortgage brokers.

12 MR. SEDGWICK: If they want to do any mortgage
13 brokerage business, but the ones who do any mortgage
14 brokerage business ought to be registered.

15 MR. SIMONE: That is it.

16 MR. WHITE: Mr. Chairman, Mr. Simone on
17 page 3 refers to the mortgage broker -- unconscionable
18 interest rates. I am wondering what he considered
19 unconscionable.

20 MR. SIMONE: Before you consider a mortgage
21 unconscionable it has to --- it has to look at the
22 property and has to look at the man's ability to repay,
23 his credit record; all these factors would have a bearing.
24 For example, a man might be charged a \$500.00 bonus on
25 a \$2,000.00 mortgage, as I had last week, and on the
26 face it would look like he has been taken. When I got
27 the explanation from the mortgage broker, this man had
28 18 division court actions against him. His property
29 was in a run-down area. It was not a good property ---
30 he was a high-risk deal. It was a first mortgage.

MR. SIMMONS: --- no that they would

MR. SIMMONS: Mr. Simmons, why are lawyers

example? I don't see them in this

MR. SIMMONS: No, they are not example. There

are 700 that we have registered in the province, and

only 150 lawyers are registered in the province --

MR. SIMMONS: --- mortgage business.

MR. SIMMONS: If they want to do any mortgage

brokerage business, but they can't do any mortgage

brokerage business, they can't do any mortgage

MR. SIMMONS: Yes, they can't.

MR. SIMMONS: Mr. Simmons, Mr. Simmons

page 3 refers to the mortgage business -- mortgage business

interest matter. I am wondering what the mortgage

business is.

MR. SIMMONS: Before you consider a mortgage

business, it has to be -- it has to be a

property and has to be in the mortgage business to be a

his credit record; and then, if you want to have a mortgage

For example, a man might be charged a \$500.00 down

a \$2,000.00 mortgage, and if he had a mortgage, and he had

the explanation from the bank and broker, this is the

the explanation from the bank and broker, this is the

was in a mortgage area. It was not a good property --

It was a good property.



1 He couldn't get one anywhere else, so he had to pay that
2 rate, so I knew that it wasn't an unconscionable rate,
3 but because it was a high-risk deal it was ----

4
5 MR. SIMONE: Right. But this man should
6 not have been borrowing, in my humble opinion, but I
7 agree with you --- I don't deny him the privilege of
8 going out and hanging himself financially, which he
9 probably was doing. He was trying to borrow himself
10 out of debt.

11 I have the file here of a mortgage
12 broker who ---

13 THE CHAIRMAN: We'll see if any of the
14 other members --- Mr. Common? Mr. Noden?

15 MR. NODEN: There is a lot to be said.
16 This thing becomes complicated in my -- in front of
17 my vision. I just wondered where we were going. I think
18 in terms of the once bitten, twice shy. I think that
19 is an indication of the way in which we live,
20 and if such a chap was given, say, \$10,000.00 and he
21 had no experience in handling it, it would slip through
22 his fingers like water would through a seive. He has got to
23 learn by actual experience. I think this still applies
24 in borrowing money and people today and their buying
25 on time. They have got to learn by experience. It is
26 the only way your education is going to proceed ---
27 in that manner.

28 THE CHAIRMAN: Mr. Letherby?

29 MR. LETHERBY: Well, you said there were so
30 many things to be said --- so many questions to ask ---



the business it was a high-class deal it was ---

MR. SIMON: Right. But this man should
agree with you --- I don't deny the influence of
being out and being in, financially, which he
presently was doing. He was trying to borrow himself
out of debt.

I have the idea of a mortgage
broken who ---
We'll see if any of the

MR. SIMON: There is a lot to be said.

This thing becomes complicated in my -- in front of
my vision. I just wondered where we were going. I don't
in terms of the one billion, two billion. I think that
is the foundation of the way in which we live.
and the same thing was shown, say, \$40,000,000 and he
had no experience in handling it, he would have enough
his fingers like water would through a sieve. He was not
learned by actual experience. I think what he is applying
in borrowing money and paying costs and doing things
on time. They have not so much by experience. It is
the only way your position is going to improve ---



1 I think we should all have time to digest what we have
2 just heard from Mr. Simone this morning. I think
3 that his was a marvelous document, in my opinion at
4 least. And I am of the opinion that the greatest
5 percentage of our people are marching to financial ruin
6 because of the practice of certain loan and finance
7 companies trying as you say
8 brainwash them into mortgaging themselves for all kinds of

9
10 I think too, free enterprise or no free
11 enterprise, that the time is fast approaching if this
12 document bears any relation to the truth, a Government
13 agency or some body with authority has got to step in,
14 and show these people that they are walking over the
15 precipice of financial ruin. Not only these people,
16 but I think that it could bankrupt the country.

17 MR. LETHERBY: Stop!

18 MR. MacDONALD: I figure that the great
19 majority of the people --- my neighbours --- are if they
20 see some inducing proposition that can be financed
21 easily, so to speak, they don't have to pay anything
22 until next year or three months or six months, they figure
23 it is a painless method of getting something for nothing,
24 and by the time they have mortgaged themselves for stoves
25 and chesterfields and houses and cars and summer cottages
26 and speedboats and outboard motors, why, the situation
27 gives extremely grave effects. I think it is bound to.
28 I don't know what the solution is yet. I don't think
29 any of us do. We certainly have got to give this a
30 hard look and we have got to show these people that



I think we should all have time to discuss what we have
 just heard from Mr. Wilson and myself. I think
 that this was a marvelous document. In my opinion
 least. And I am of the opinion that the greatest
 percentage of our people are reacting to this in a
 because of the reaction of certain men and women
 companies having at the time
 relationship than with the existing procedures for all kinds of

I think you have shown, more or less
 enterprise, that the time is here approaching in this
 document bears any relation to the world, a government
 agency or some body with authority has not to step in
 and show these people that they are walking over the
 precipice of disaster again. Not only these people
 but I think that in some way the people.

Mr. Wilson, I think that the
 majority of the people -- my hope is -- and it is
 see some kind of program that can be discussed
 fairly, no more. They will have to say anything
 until next year or three months or six months, they will
 it is a serious matter of getting something for nothing
 and by the time they have organized themselves for a cause
 and organization and money and arms and ammunition and
 and operations and outboard motors, why, the situation
 gives extremely grave effects. I think it is
 I don't know what the solution is yet. I don't think
 any of us do. We certainly have got to give this a



1 somebody has got to put the brakes on someplace.

2 The interest rate has got to be spelled out
3 very simply, so they will know just what they are
4 signing.

5 As you say, Mr. Simone, these boys
6 who run these finance companies and corporations ---
7 they're not suckers or gullible enough to go in and
8 take on these deals, but still they can make a dandy
9 advertisement or argument for the public.

10 MR. WHITE: Correct?

11 THE CHAIRMAN: Mr. White?

12 MR. WHITE: Well, I would like to get
13 back to this matter of terminology here at the bottom of
14 page 4 -- what you call the effective rate of
15 interest. I would like to suggest that a method similar
16 to the formula devised for mortgage brokers in having
17 them declare the normal interest rates

18 Now then, you have to study the
19 formula to clear up the questions that Mr. Simone
20 urged in your experience and you can
21 likely do it very quickly.

22 What is to prevent that?

23 If the minimum annual rate of interest
24 on this mortgage --- you talk of the minimum. Why can't
25 a man put down 1% in the minimum for the 1% and the
26 maximum 50%. Do you see what I am getting at?

27
28 You make this statement, minimum.

29
30 MR. SIMONE: You have the statement on this
mortgage form

From the above, we can see that the above two methods are not suitable for the above two cases.



1 in front of you, have you?

2 MR. WHITE: You used this word minimum ---
3 that's what I am getting at. It seems to me that if a
4 chap were interested in fooling a mortgagor,
5 that he might put down 1% there, and I don't know --- I
6 don't know that that would be incorrect.

7 MR. SIMONE: On the statement of mortgage
8 form, Mr. White, Item 5 in accordance with The Interest
9 Act, of course, requires stating of the interest,
10 as a simple kind of rate. Now, we inserted Item 4
11 requiring the calculation of the minimum annual rate
12 only where a bonus is involved, so we hope the
13 borrower will relate the two figures.
14 You get ---- an example I cited 12.4 would appear in
15 Item 4 and 7% would appear in 5. We hope this will
16 assist them a little bit.

17 MR. WHITE: Why couldn't a fellow put down 12%
18 in Item 4 and say that is a minimum, the maximum 20%.

19
20
21 MR. SIMONE:
22 He could put down 1%. Indeed he could, Mr. White.
23 Now, he runs a calculated risk of this deal coming to
24 my department's attention and once we find him lying
25 about the minimum rate his licence is going to have
26 to be forfeit.

27 MR. WHITE: I am not talking about lying.
28 I am talking about the word minimum. It seems to
29 me that by excluding the word minimum in it --- your
30 interpretation may suit to leave the word minimum out.



1 Yes, I know about that.

2 This is the legal approach again --- the definition
3 of minimum. I know what you mean.

4
5
6
7 MR. SEDGWICK: It is not legal at all.

8 It occurred to me that if
9 you use this language, "considering the bonus paid, the
10 true interest rate is not correct then."

11 MR. WHITE: That is right, and the other word doesn't
12 matter.

12 MR. SIMONE: And yet we have it even ---

13 THE CHAIRMAN: You know Mr. Jaffray has
14 his hand up there.

15 MR. JAFFRAY: I think Mr. Simone knows
16 this.

17 that on these mortgage brokers' deals the mortgage
18 document shows the rate of interest, say, 7%. But
19 when there is a bonus involved, it increases the
20 effective rate of interest. I am a lawyer and I am a
21 little shaky on this but, I have had a lawyer say to
22 me, he was in the mortgage brokerage field, he
23 very careful to get a complete borrowing agreement and
24 the language in it is quite plain, easily understood,
25 and the borrower knows that he is paying a bonus.

26 I say, well, why do you go to such great trouble to
27 get this bonus agreement. He says, well, under The

14 28 Interest Act I have to have this, because Section 6 of the

Interest Act says interest on the mortgage is the interest including

30 the bonus, so the mortgage indenture is gone for, say, 7%.

Now, I know about that.

This is the legal approach again -- the definition

of misfeasance. I know what you mean.

Now, I know what you mean.

It is not a legal definition.

You use this language, "the legal definition of misfeasance."

That is not a legal definition.

Let me tell you what is right. The legal definition

is, "the legal definition of misfeasance."

That is not a legal definition.

Now.

What do these words mean? The legal definition

shows that there is no misfeasance, say, for

what there is a misfeasance, it is not a

misfeasance, it is a misfeasance. I am not a lawyer and I am

not a lawyer, but I know what a lawyer says.

So, in a legal sense, it is not a misfeasance.

Very much so, but a complete borrowing agreement

is not a misfeasance, it is a misfeasance.

and the borrower knows what he is paying a loan.

I say, well, why do you go to such great lengths to

get this loan agreement. He says, well, yes, yes.

Interest. And I have to have that, because the law

is not a misfeasance, it is a misfeasance.



1 But with the bonus it may be 12%, and applying the
2 various formulas that these mortgage brokers apply,
3 it can work out. We had example of where by using
4 different formulas it could be as high as 21%, but it
5 could be 14%, so we say the minimum --- the figures
6 cannot be challenged no matter what formula you might be
7 using. It must be shown. So, the borrower when he
8 starts looking at his mortgage document at a later date
9 is not deceived into thinking he is paying at least 14 and
10 he may be paying 21, but so that he can't get into a lot
11 of arguments we stipulate the whole statement we
12 stipulate the whole statement.

13
14 MR. MacDONALD: Mr. Jaffray, what percentage
15 of the cases does the minimum become the effective
16 interest rate? In any?

17 MR. JAFFRAY: None.

18 MR. MacDONALD: Well, you see this is where
19 not as a lawyer, but as a layman, I think this is
20 misleading. Because I think that the layman's sort of
21 instinctive reaction is that if the interest rate is put
22 down there this is the minimum rate, this is likely the
23 effective rate in a vague sort of way, and you confirm
24 what I suspect is the case, that the minimum is never the
25 effective rate.

26 MR. SIMONE: Where a bonus is involved
27 the minimum can never be the effective rate. Except
28 where -- I am sorry -- there is -- except where
29 the borrower repays the whole principal at maturity.

30 MR. WHITE: Well, shouldn't that be changed?



1 Not with the bones in May 1981, and applying the

2 various methods that have been used to apply

3 it can be said that the bones are of human origin

4 and that the bones are of human origin and that

5 it can be said that the bones are of human origin

6 and that the bones are of human origin and that

7 it can be said that the bones are of human origin

8 and that the bones are of human origin and that

9 it can be said that the bones are of human origin

10 and that the bones are of human origin and that

11 it can be said that the bones are of human origin

12 and that the bones are of human origin and that

13 it can be said that the bones are of human origin

14 and that the bones are of human origin and that

15 it can be said that the bones are of human origin

16 and that the bones are of human origin and that

17 it can be said that the bones are of human origin

18 and that the bones are of human origin and that

19 it can be said that the bones are of human origin

20 and that the bones are of human origin and that

21 it can be said that the bones are of human origin

22 and that the bones are of human origin and that

23 it can be said that the bones are of human origin

24 and that the bones are of human origin and that

25 it can be said that the bones are of human origin

26 and that the bones are of human origin and that

27 it can be said that the bones are of human origin

28 and that the bones are of human origin and that

29 it can be said that the bones are of human origin

30 and that the bones are of human origin and that



1 To show the actual annual rate of interest?

2 MR. SIMONE: We anticipate this, Mr. White.

3 We feel we want to give this a try. Bearing in mind
4 its objective to try and tell the borrower something,
5 not in terms a lawyer or a mortgage broker might use.

6 MR. WHITE: But you are misleading the
7 borrower now.

8 MR. SIMONE: Let's say he is being less
9 misled under the former system.

10

11 THE CHAIRMAN: Mr. Irwin has some questions
12 he would like to ask of Mr. Simone and perhaps Mr.
13 Jaffray.

14 MR. IRWIN: Well, I just was curious. I
15 think Mr. White was just touching on this point. I
16 would like to ask Mr. Simone why is it desirable to
17 have the wording of line four expressed the way it is,
18 when all of the information is required on the form
19 which ought to be able to determine the exact rate of
20 interest, because you are dealing in paragraph five
21 the terms of repayment, so that this is spelled out and
22 therefore, by taking the effective principal to be
23 repaid, a \$3,000., a bonus, the stated rate of interest,
24 the terms of repayment, you have all the facts
25 necessary to listing on the form the actual effective
26 rate of interest.

27 MR. SIMONE: Well, let's take the example
28 I cited earlier. \$2,500.00 for \$3,000.00 at 7% for
29 five years. On the original statement of mortgage form that
30 goes out to the borrower -- principal amount of



To show the actual present rate of interest.

MR. SIMON: We anticipate that Mr. White.

We feel we want to give him a try. Working in mind.

the objective to say and tell the borrower something.

not in terms of a language or a language broken down into.

the will be that you are interested in.

personally now.

MR. SIMON: And we are in a very large.

mixed group and we are not.

MR. CHAMBERLAIN: Mr. Simon has some questions.

MR. CHAMBERLAIN: We would like to ask of Mr. Simon and perhaps Mr.

White.

MR. WHITE: Well, I just was curious. I

think Mr. White was just looking at this point.

would like to ask Mr. Simon a way in to describe to

have the working of the loan expressed the way it is.

when all of the information is included on the form

which ought to be able to determine the exact rate of

interest, because you are dealing in percentages. The

the terms of repayment, so that this is needed and and

therefore, by taking the effective interest to be

repaid, a \$3,000, a point, the stated rate of interest,

the terms of repayment, you have all the facts

necessary to figure on the form the actual effective

rate of interest.

MR. SIMON: Well, let's take the example

I cited earlier, \$2,500.00 for \$3,000.00 at 7% for

five years. On the original statement of mortgage form



1 the mortgage is \$3,000.00 with a rate interest of
2 seven per cent per year would be repayable in equal
3 monthly instalments of so much, and so on.

4 Item 7, the the bonus of \$500.00 would be shown.

5 Now, he thinks he has got a 7 per cent mortgage.

6 Whereas, in fact, he has got a minimum rate of 12.4
7 and an effective rate of someplace between 17 and 21
8 per cent.

9 MR. IRWIN: I think this is my point, Mr. Simone,
10 I understand all that would be required, what you are attempt-
ing to accomplish on the form, and don't think that I am
12 being critical. If the information asked for in 5
13 were not required to be declared on the form, then I
14 would think you would be obliged to resort to your
15 simple formula to give a minimum rate of interest. But,
16 your form is actually asking for the rate of repayment,
17 and therefore, having that rate of repayment it's a
18 very simple matter of determine the exact rate of interest.

19 MR. SIMONE: It is for you and I. We have
20 to assume that the average borrower is not a knowledgeable
21 person.

22 MR. IRWIN: Oh, I agree the borrower
23 if I may use the borrower, but the borrower isn't filling
24 out this form and the borrower isn't calculating the
25 form. This form, I presume, is filled out by the
26 registered mortgage broker, and believe me, he is
27 well equipped to figure out exactly the rate of interest.
28 And your form is asking him to declare all of the
29 components of the equation necessary for him to calculate
30 the exact rate of interest.



1 MR. SIMONE: I see what you are suggesting . . .

2 MR. IRWIN: And therefore, why don't you --
3 you have asked him to give all the information, and he
4 has the facilities -- why don't you ask him to give
5 the exact rate of interest.

6 MR. SIMONE: We have come in the back door.
7 What we should have said -- what we might have considered
8 was, where a bonus is involved, the mortgage broker is
9 required to translate the bonus into interest.

10 MR. IRWIN: That is right, yes.

11 MR. SIMONE: Because you are asking him -- if there
12 is any doubt about the number of instalments or so
13 on, then perhaps you have some grounds for making it
14 simple; but you are asking him to declare all of the
15 components of the calculation. So, therefore, why don't
16 you ask him to give the exact rate?

17 MR. MacDONALD: If you don't do that, disclosure
18 is really the spirit. . . . I mean I think it
19 boils down to that for the average "Joe" who get it,
20 not for the man who is working it out, because he knows
21 what is behind the thing.

22 Mind you, this form could be changed again.
23 This is not in the Act. This is by the authority vested
24 in the Superintendent to devise this particular form.

25 MR. IRWIN : Well, there is just one point -- I don't
26 know whether I am . . . making myself clear. You are
27 asking for all the components, but you are allowing
28 them to slip out on the calculation.

29 MR. MacDONALD: Mr. Chairman there is one
30 other basic point that I would like to pursue. I think



I am afraid you are misunderstanding.

MR. IRWIN: And therefore, why don't you --

You have wanted him to give all the information, and he

has the facilities -- why don't you ask him to give

the exact name of the record.

MR. IRWIN: We have come in the back door.

What we should have said -- what we should have considered

was, where a bonus is involved, the mortgage broken in

regard to the value of the property involved.

MR. IRWIN: That is right, yes.

MR. SIMON: Because you are asking him -- all the

in any doubt about the value of the property involved.

on, then perhaps you have some grounds for making an

suggestion, but you are asking him to do all of the

work of the investigation. So, therefore, why don't

you ask him to give the exact name?

MR. IRWIN: It is doubtful if he will disclose

a really the answer.

He has down the road for the record a "no" and got it.

For all the time he is working it out, because he knows

what he is doing.

Now you, Mr. Simon, would be charged with

telling him not to do it. This is by the way, Mr. Simon.

In the Department to do this particular thing.

MR. IRWIN: Well, there is just one point --

Now whether I am

asking for all the information, but you are asking

them to give out on the calendar.

MR. IRWIN: Mr. Chairman, for the



1 maybe at this stage if we can hear some of these basics
2 it would be rather useful. And here, Mr. White and I
3 will find that our mutual conservatism finds common
4 ground.

5 I think the real problem in our society today
6 is that we are living in a period when we are told to
7 follow the Victorian precepts of saving - always having
8 your money -- be frugal, and so on. Then, the whole
9 cozy paraphernalia of credit and advertising is precisely
10 the opposite; and I am not just critical of the free
11 enterprise. However, this is true of the credit union
12 movement. In the credit union movement you are persuaded.
13 If you need something, borrow it. Why wait until you
14 are ten years younger and this is -- ten years older,
15 and it means you are just not going to have it for these
16 ten years, and you have only got three score years and
17 ten; perhaps a little more now with the antibiotics, so
18 why not enjoy it. But there is this basic conflict in
19 the philosophy. But if union people be getting more and
20 more in debt and the figures are very, very conclusive.

21 Now, the question I wanted to fasten on growing
22 out of this, was Mr. Simone's comment that Canadians
23 are wakening up to this proposition of personal bankruptcy.
24 Now, I have always felt, perhaps I am back to
25 my normal mode now
26 the corporate bankruptcies were really a delight to
27 unload debts, and that there are some people who operate
28 corporations who do this as a steady regular practice. If
29 you get in too deep, you just go in bankruptcy and you
30 unload your debts. Now if this kind of thing carries over



1 maybe at this stage if we can hear some of these people
2 it would be rather useful. And here, Mr. White and I
3 will find that our mutual conversation is very common
4 ground.
5 I think the real ground in our society today
6 is that we are living in a period when we are told to
7 follow the Victorian ideal of saving - always saving
8 your money -- be frugal, and so on. When the whole
9 sort of personality of society and civilization is based
10 on the opposite and I am not last witness of the fact
11 on this. However, this is true on the whole when
12 we are in the credit of the present and we are
13 in the credit of the present. Why have we not
14 the same spirit and this is -- the young object,
15 and it means you are just not going to live in the future
16 ten years, and you have only got three more years and
17 that perhaps a little more now with the introduction of
18 why not enjoy it. Now that is the whole question in
19 the philosophy. But if you are to be getting more and
20 more in debt and the progress is very, very conclusive.
21 Now, the question I wanted to raise on getting
22 out of this, was Mr. St. John's comment that capitalism
23 are working up to this proposition of personal bankruptcy
24 Now I have always felt, perhaps I am back to
25 my present mind now
26 the opposite proposition were really a delight to
27 unless debts, and that there are some people who oppose
28 propositions who do this as a merely means of evasion.
29 You get in too deep, you get in too deep and you



1 into the personal field, to the extent that it apparently
2 has not happened in the United States, I think this has
3 a serious sort of below-the-surface affect on the economy.

4 I mean people are deliberately going into debt,
5 or, certainly without any serious care they are going into
6 debt. They unload their debt on the economy -- I am not
7 a professional economist -- I just can't estimate the
8 full impact of this, but I am certain that it is a serious
9 impact on the economy. Now, you get back to the question
10 in which we have our philosophic difference: How, and
11 to what extent is it legitimate for the Government to
12 intervene in what may be ~~to them~~ qualifications on the
13 freedom of a person to borrow or spend his money, when
14 the end result of this is going to be a piling up of
15 personal bankruptcies or of corporate bankruptcies, and
16 you have got a real cancer within your economy. Now I
17 don't know the answer to this, but I was very intrigued
18 with Mr. Simone's comment there that Canadians are awakening
19 up to personal bankruptcies because this is an awful
20 easy way to get everything you want and need, and then
21 just declare yourself personally bankrupt and then unload
22 your debts.

23 THE CHAIRMAN: Would you like to elaborate
24 on that a little, Mr. Simone?

25 MR. SIMONE: It's again -- It's a bit of
26 a generalization . . . I suffer from an occupational
27 hazard in that I see the worst of credit. I have been
28 in it for 18 years. I have been Registrar for nigh-
29 on to 13 and I sometimes have to get ahold of myself
30 and try and be completely objective. In the last six



1 months, I know of two cases of young men in their mid-
2 twenties seeking relief on personal bankruptcy. Now,
3 two cases -- that doesn't mean anything. But, I personally
4 -- If I got it to the point, if I mentioned that I had
5 three or four thousand dollars worth of debt, and this
6 is not unusual, and I couldn't get out from under it;
7 there is no more dishonor to seeking relief by personal
8 bankruptcy.

9 MR. JAFFRAY: I can give you another example.
10 We have on our staff a German, new to the country, and
11 he wanted the high standard of living we have materially,
12 and he started to get phone calls because of this
13 instalment credit, and I had to take it up with him,
14 and he, in part, tried to exonerate himself by
15
16
17
18
19 saying his next door neighbour was a high-school teacher
20 who went into personal bankruptcy, and he asked me --
21 he said he has everything, an imported car, all
22 the latest equipment and he has gone into personal bank-
23 ruptcy and he is left with the material things. They
24 won't be repossessed. I said they must be repossessed.
25
26 In cross-examining him,
27 I found out that he had been in party to helping this
28 high-school teacher beat the bankruptcy
29 because he had borrowed and bought a second-hand washing
30 machine, et cetera, et cetera, and had switched serial
numbers.



...I know of two cases of young men in their mid-
twenties working night shifts in the hospital. Now,
two cases -- they were in the hospital. But I don't
-- If I got it at the point, I mentioned that I had
three or four thousand dollars worth of debt, and I
in the hospital, and I didn't get any more money.
There is no more money, a standing order to pay me.

MR. JAGGER: I can give you another example.
We have on our staff a doctor who is a very good
He worked the night shift. I think we have had
and he came to the hospital. I think we have had
last night, and I had to take it on with him,
and he, in turn, had an excellent case by

...his next door neighbor was a high school teacher.
He went into private practice, and he didn't
he was everything, an excellent one. At
the hospital and he was going to be a
...and he was the most successful one.
...I don't think I can say that he was a
...I don't think I can say that he was a

...in the hospital. I don't think I can say that he was a
I found out that he had been in the hospital.
...I don't think I can say that he was a
...I don't think I can say that he was a



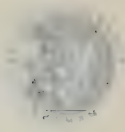
1 so that when Simpon's or whoever owned the goods came,
2 he didn't have the corresponding serial numbers.

3 He pulled that --

4 so this man was very well qualified says if this is the way
5 they do it in the country. It seems a good idea to enjoy
6 the good things of life, I thought I would
7 follow suit. I had to say to him: Well, basically, it
8 may be legally possible to do this sort of thing, but it
9 simply isn't honourable and you won't stay with us very
10 long if you proceed in this line of behaviour. That is
11 just another case where you can't-- I don't know --
12 there are different cases --

13
14 to find out what the increase is in significant figures.

15 And what I am saying, in this business of
16 why do we use minimum rates; if we were as administrative depa
17 ments to get into trouble with the law, because these
18 various formulae arrives/their rates through excluding
19 certain charges that we would include as our definition
20 of interest. But, the definition of interest at law is a
21 federal matter, and they want to say, well, this charge
22 for appraisal work -- a person borrows the money.
23 I mean, the lender might pay to have the title searched;
24 he pays all the legal disbursements. It is his lawyer
25 that does it and the fee charged for all of these things
26 -- that goes on the debt, you see. According to us
27 he says "No, These are charges that you are
28 entitled to recover a part from of interest in order to
29 insure myself against the risk involved. So, we
30 have to, knowing that if we try to include these charges



1 no fact when the point is involved, and the point is clear.

2 He didn't have the corresponding mental processes.

3 He replied that --

4 as this man was very well educated, and it didn't seem to me

5 they do it in the country. It seems a good idea to me.

6 The good things in life, I think, I would

7 follow only. I had the way of mind, with, perhaps, the

8 way as largely possible to do the sort of thing, but it

9 simply isn't honorable and you would stay with us very

10 long if you were in some kind of business. That is

11 just another case where you might -- I don't know --

12 there are different cases --

14 to find out what the process is in the human mind.

15 And when I was asked, this is a part of

16 why do we use this kind of process? It was an additional

17 reason -- the fact that with the law, because there

18 certain changes that we would include as the condition

19 of law. But, the definition of law is the law is

20 Federal law, and that was to say, well, that's

21 for practical work -- a person knows the law.

22 I mean, the whole thing, but he knew the whole thing.

23 He said, the legal system is the legal system.

24 That's all that was the question for all of them.

25 -- and, yes, on the fact, you see, that's all.

26 He said, "Yes, these are the things that are

27 entitled to be considered as



1 to get the total effective rate of interest, we could
2 bevery easily challenged. So we have to take the
3 lesser alternative. It is a matter of degree for the
4 borrower. We can't stop them from being deceived,
5 but we can narrow the degree of deception.
6

7 THE CHAIRMAN: Mr. Irwin?

8
9 MR. IRWIN: Why not put down the actual rate
10 of interest, though, and then say in addition to
11 this actual rate of interest they are being charged
12 X number of dollars for legal fees and so on.

13 Yes, I am not criticizing. I know it is
14 brand new; but really as it stands, it is not adequate.
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



1 THE CHAIRMAN: Now ---

2 MR. IRWIN: Mr. Chairman, may I make
3 one or two other remarks?

4 THE CHAIRMAN: Mr. Irwin has requested it ---
5 go ahead.

6 MR. WHITE: I was following Mr. Jaffray
7 and Mr. White. I am a chartered accountant, so I can't
8 speak in any sense of the legal problems here, but if
9 there is a problem of referring to a rate of interest,
10 because we feel that this might be unconstitutional,
11 then I would just as a layman comment that line 4
12 equally is incorrect or unconstitutional if you are
13 referring to a minimum rate and if, as I suggested
14 earlier, you actually work out the rate, and if this
15 constitutional problem involves something else saying
16 that the effective charge to you as percent per
17 annum in terms of interest, if you like. My point
18 was that all of the components for an exact calculation
19 are very lax components and, therefore, why not
20 have them put on the form.

21 The other point here the auditor
22 in me comes out --- maybe I am stepping on improper
23 fields for legislation or jurisdiction, but is there
24 any requirement that a copy of this statement of
25 mortgage form should be directed to your Department?
26 If you have the right to ask them to fill it out, I
27 as an auditor would think that an extra copy of the
28 form could be made out and directed to your Department.
29 I realize if this were constitutionally correct to do,
30 I can visualize you being swamped with papers, and I

Nov --

THE CHAIRMAN:

Mr. Chairman, may I make

MR. TINKER:

one or two other points?

THE CHAIRMAN: Mr. Tinker has requested it --

Go ahead.

MR. TINKER: I am following Mr. Tinker's

and Mr. White. I am a concerned shareholder, so I can't

ask to any extent of the legal problem, but in

there is a question of the right to a vote of interest,

because we feel that that might be unconstitutional,

then I would just as a general comment that

equally is focused on unconstitutional if you are

referring to a minimum rate and if, as I suggested

earlier, you actually have one rate and if this

constitutional question involves something else, saying

that one restrictive clause to you as parent has

some in terms of interest, if you like. My point

was that all of the comments for an exact analysis for

are very far removed and, therefore, who has

have them put on the table.

The other point here one auditor

in the course of -- maybe I am speaking on hypothesis

there is no question of jurisdiction, but is there

any requirement that a copy of your statement of

your statement should be attached to your report?

If you have the right to ask them to tell it out,

as an auditor would think that an extra copy of the

form could be made out and attached to your statement.

I realize if this were constitutionally correct, we do

not want to be getting swamped with papers and I



1 don't suggest for a moment that this is a good thing,
2 but using the principles of audit testing you could
3 receive bales of these things and store them out in a
4 barn somewhere in the country, but take a sample of
5 them, which wouldn't impose perhaps that serious an
6 administrative problem.

7 I just make that as a suggestion.

8 The other question I wanted to ask is did I
9 gather that this was strictly a matter of voluntary
10 compliance. I thought this --- I heard the suggestion
11 that some lawyers may fill it out and send it in,
12 and some may not, and yet I understood from Mr.
13 Sedgewick's question that all lawyers who deal in
14 mortgages are required to be registered. Is there any
15 sense of --- is there a point at which a person or
16 a mortgage broker might on their own interpretation
17 say I am not required to file this, or is everybody
18 required to file it?

19 MR. SIMONE: No one is required to file this
20 complete -----

21 No. I should --- make it up, yes.

22 Complete this mortgage acceptance.
23 First thing it is registered under the Act. Therefore
24 if a lawyer does not consider himself to be a mortgage
25 broker within the meaning of the Act ---

26 MR. IRWIN: That is what I mean. It
27 is voluntary compliance.

28 MR. SIMONE: A person interprets whether
29 they are required under the Act.

30 MR. IRWIN: Thank you very much.



don't suggest for a moment that this is a good thing,
but that the principle of it is not sound. You would
receive a lot of these things and then you would
have somewhere in the country, but take a sample of
them, which wouldn't impose perhaps that burden on
administrative problem.

I just make that as a suggestion.

The other question I wanted to ask is this:

whether that this was strictly a matter of voluntary
compliance. I thought this --- I heard the suggestion
that some lawyers may still be out and send it in,
and some may not, and yet I understood from Mr.
Sagewick's question that all lawyers who deal in
mortgages are required to be registered in their way
sense of --- is there a point at which a person or
a mortgage broker might in their own investigation
say I am not required to file this, or is everybody
required to file this?

MR. SAGAWICK: No one is required to file this.

Complete ---

MR. SAGAWICK: No, I should -- make it up, yes.

Complete this mortgage, and then ---

What would be registered under the Act. The others
if a lawyer does not consider it still to be a mortgage
broker within the meaning of the Act ---

MR. SAGAWICK: That is what I mean. If

is voluntary compliance.

A person interpreted what was

they are required under the Act.

Then you have this.



1 MR. WHITE: Mr. Chairman, Mr. MacDonald
2 has raised the matter of bankruptcies, and I would
3 like to make one or two comments as I have some experience
4 in this matter. I don't think I have ever gone into
5 bankruptcy --- I haven't --- but I had a lot of
6 customers who did, and when that happens, of course,
7 it is the business community that is cheated. I use
8 the word cheated applying to those bankruptcies in
9 which officers of the corporation have deliberately
10 drained out cash by paying such high salaries or
11 high expenses and things like that.

12 There are two types of corporate bankruptcy.
13 There is the kind that Mr. MacDonald dwelled on
14 where unscrupulous businessmen form corporations with
15 limited capital, they procure a lot of supplies and
16 services from suppliers, they pay high salaries and
17 in other ways drain money out expending their
18 revenues on themselves, and the day comes when they are
19 insolvent, they put the corporation into bankruptcy
20 while their own personal financial affairs have been
21 greatly strengthened. That is going on.

22 If that were the end of the story, I
23 would be against bankruptcies of any kind, but you
24 also have the situation where an entrepreneur will
25 start a venture in good faith and for reasons beyond
26 his control go broke. If there were no such thing
27 as bankruptcy, if there were no such thing as this
28 corporate organization which developed in the last
29 100 years, there would be much fewer business under-
30 takings where a risk was involved. The great



1 risk there to being too tough in the bankruptcy laws is
2 that you are going to close out a lot of
3 honest, well-intentioned entrepreneurs, and so while
4 there may be some tightening up, it will have to be
5 done with care. The point of fact is if the business
6 community took upon themselves to use the laws as they
7 now stand, most of the problems would be eliminated,
8 because it is against the Criminal Code --- to do bus-
9 iness while insolvent, if it is always professional
10 bankrupts were charged by the suppliers and sent to
11 jail. It wouldn't be nearly the custom that it is
12 today. They are reluctant to do that, because in many
13 cases the risk of the indebtedness is spread over dozens or
14 hundreds of suppliers and for a few thousand dollars
15 a particular supplier may not want to take a chance
16 on issuing warrants for false arrest and Mr. Sedgewick
17 will have to deal with the legal aspect of this,
18 or he may think, well, it is not worth my time and
19 trouble. It seems to me that business organizations like
20 chambers of commerce simply have to encourage their
21 membership to crack down on some of those professional
22 bankrupts. In this way we could dispense with some
23 of the disadvantages of the present bankruptcy laws while
24 retaining some of the advantages, which is to encourage
25 encourage ventures in new business.

26 Now, talking about corporate bankruptcy
27 versus personal bankruptcy, when a corporation goes
28 bankrupt, the officers may profit very much in the
29 process ---- with a personal bankruptcy unless there is
30 out-and-out fraud involved, as there was in the illustration



that you are going to close one end of
 honest, well-informed entrepreneur, and so while
 there may be some tightening up, it will have to be
 town with care. The point of fact is if the business
 community look upon themselves as one the laws as they
 now stand, most of the problems would be eliminated.
 because it is against the minimum wage -- as the busi-
 ness while however, it is a simple professional
 bankrupts were charged by the government and sent to
 jail. It wouldn't be nearly the answer that it is
 today. They are reluctant to do that, because in many
 cases the risk of the indebtedness is spread over dozens
 hundreds of suppliers and for a few hundred dollars
 a particular supplier may not want to take a chance
 on having someone for cause a week and an individual
 will have to deal with the legal aspect of this.
 or we may think, well, it is not working any time
 trouble. It seems to me that business organizations and
 chambers of commerce simply have to encourage their
 members to work down on some of these professional
 bankrupts. In this way we could begin with some
 of the disadvantages of the present bankruptcy laws in
 retaining some of the advantages which is in the law
 encourage venture in new business.
 Now, talking about the new bankruptcy
 versus general bankruptcy, when a corporation goes
 bankrupt, the officers may profit as much as the
 process -- with a personal bankruptcy unless there is
 out and out fraud involved, and that is the illustration



1 given by Mr. Jaffray, in personal
2 bankruptcy there is no profit for the individual. He
3 simply buys more than he can afford to pay for, he
4 goes broke; unless fraud is involved the suppliers repossess
5 all of his assets and he is left with nothing, except
6 a very large indebtedness, and he can see no way to
7 pay off this indebtedness, so he files for bankruptcy.

8 Mr. MacDonald and some of the other gentlemen
9 on the Committee are very concerned, as I am myself,
10 with unscrupulous merchants who oversell. Sometimes
11 perhaps knowing that the buyer is going to have a lot
12 of trouble, and he may find it impossible to pay off.
13 Sometimes in anticipation of repossessing the item
14 after fairly substantial equity has been gained, and
15 then resell it --- sort of a double profit, that
16 happens. This idea of personal bankruptcy introduces
17 a note of caution to the transaction on the vendor's
18 side. If personal bankruptcies were used a little
19 more, there would likely be less of this deliberate
20 overselling and it seems to me that it might not be
21 a bad thing if there were more personal bankruptcies,
22 and not thinking of some of the moral aspects of the
23 individual concerned, because ----

24 MR. MacDONALD: No. If the
25 merchant is operating on the basis of getting an equity
26 to the payment, say, half of it, then he can reclaim it.
27 Certainly the personal bankruptcy is not going to
28 throw any monkey-wrenches in to pay for it.

29 MR. WHITE: Well, it would in some
30 cases, though, because if a chap goes into



given by Mr. Galloway, in personal bankruptcy there is no profit for the individual. He simply pays more than he was offered to pay for, he goes broke, and then he is included in the liquidation process. If his assets are not sold within ninety days, except a very large indebtedness, and he can see no way to pay off this indebtedness, he is filed for bankruptcy. Mr. MacDonald and some of the other members on the Committee are very concerned, as I am myself, with unscrupulous merchants who operate. Sometimes perhaps knowing that the buyer is going to have a lot of trouble, and he may find it impossible to pay off. Sometimes on condition of repossessing the item after fairly substantial equity has been gained, and then resell it -- sort of a double profit. That happens. This idea of personal bankruptcy introduces a note of caution to the transaction on the vendor's side. If personal bankruptcies were used a little more, there would likely be less of this deliberate overreaching and it seems to me that it might not be a bad thing if there were more personal bankruptcies, and not thinking of some of the moral aspects of the individual concerned, because --

MR. WINTERS: No, it is not merchant is operating on the basis of getting an equity to the payment, say, half of it, then he can resell it. Certainly the personal bankruptcy is not going to throw any monkey-wrenches in to pay for it.

MR. WHITE: Well, it would in some



1 bankruptcy --- presumably he pays --- he has paid off
2 a fair amount of some items he has purchased, but very
3 little of others, and if you had paid 10% on a new car when
4 it was repossessed, and the dealer has to sell it at
5 40% off the regular selling price, then obviously he is
6 out-of-pocket several hundred dollars, so I
7 think that personal bankruptcy is, in a manner of
8 speaking, protection for the consumers at large.
9 I think that's all that I wanted to say.

10 MR. BUKATOR: I would like to think, Mr.
11 Chairman, that through this Committee that sort of
12 thing can be prevented. I have been in business for
13 quite some time myself, and I meet a lot of high-
14 pressure salesmen even
15 to this day who will paint a very nice picture for you
16 if items don't cost too much. It will only cost you
17 X dollars a month to buy it and they even get into
18 your private affairs by finding out how much you
19 make a week and this looks very easy to him, at least,
20 but once he is convinced that you can, then you sign
21 on the dotted line and you are stuck with this thing.

22 If this Committee -- and I
23 am not going to pre-judge anything yet
24 can expose these lenders with the high rate of interest,
25 such as took place previous to this
26 regulation that you brought into effect as much as 60%
27 on second mortgages. If we don't serve
28 any other purpose but to expose these people to the
29 public, get a rate of
30 interest eventually, I hope that some statutes whereby



a little amount of some things he has produced, but very
little of others, and I don't know if you have seen him
it was recommended, and the fact was he was to sell it as
40% off the regular selling price, and obviously it is
and I pointed out several mistakes, and I
think that personal background is, in a manner of
speaking, provided for the purpose of the
I think that's all that I wanted to say.

MR. BUCKLEY: I would like to bring out
distances, that through this Committee that some of
things can be provided. I have been in business for
quite some time myself, and I made a lot of high-
pressure business over
to this day who will follow a very high price for you
in terms don't cost too much. It will only cost you
I believe a lot to get it and they even get it
your private affairs by looking out for you
make a week and this shows very easy to get at least,
but once he is convinced that you can give him what
of the money if he can get the thing that he wants.
I think I have said enough.
and not doing to produce anything yet.
can expose these things with the results of it, and
and so these things provided for this
regulation what you brought in, others as well as this
on second thought, it is better to
any other purpose but to expose these people to the
public, get a rate of



1 the people will know exactly how much this payment
2 is with the interest rate will accomplish what we started out
to do. In the last argument that has been
4 given this morning, it all makes sense. We will have
5 reams if we take these notes down, Mrs. Dell, we will
6 have reams and stacks and stacks of speeches and
7 that will make extra for someone,
8 to use for political reasons. When the time comes, and
9 I hope that this Committee does not get political as
10 it started a little this morning by ---

11
12 a little bit of cross-fire between you two, but I will --

13
14
15 I'll be the referee between the sides and keep you in your
16 place if I can,

17 I think that we can accomplish
18 something. It is my desire to ---

19 THE CHAIRMAN: We will move you in between
20 these two later on ---

21 MR. BUKATOR: I think maybe the fellow
22 would get a belt in the eye just as soon as I find
23 out --- I think that we can accomplish what we
24 started off to do, Mr. Chairman, and that is to expose
25 to the public that they are paying much too much for
26 the money that they get. I think we are heading in
27 that direction now. I would like very much.

28
29 MR. BUKATOR: ---much too much for the
30 amount of money that they are getting --- paying



is with the interest rate and the obligation which we assumed
 to do. In the first
 given this morning, it all makes sense. We will have
 means if we take these some few, Mr. Gail, we will
 have means and means and means of assistance and
 that will make extra
 to me for political reasons. When the time comes, and
 I hope that this Committee does not get political as
 it started a little while ago by --
 a little bit of compromise between you two and I will --
 will be the relation between the sides and keep you in the
 place in I can
 I think that we are disappointed
 something. It is my feeling to --
 We will move you in between
 MR. BUCKLE: I think we are the follow
 would have a help in the eye just as now as I think
 out -- I think that we are disappointed when we
 started out to do, Mr. Chairman, and that is to come
 to the public that they are getting, much too much for
 the money that they get. I think we are heading in
 that direction now. I would like --
 MR. BUCKLE: -- much too much for the



1 the rate of interest. Even I in the real estate business
2 have had people come to me and say "I would like to
3 borrow a thousand dollars on the second mortgage", and
4 they will pay anything to get that thousand. You are
5 just prolonging the agony and that man is going to get
6 stuck anyhow, so I say to them "I don't know where you
7 can get it." Maybe in a fashion I don't quite tell
8 the truth, because they can get that second mortgage
9 at 2% per month without any trouble at all, a couple
10 of thousand.

11 MR. REILLY: It might be worth it to
12 some people, though.

13 MR. BUKATOR: This is true. I knew --- no,
14 not certainly it is. In some cases I will
15 concede that to you, but in many cases when they have
16 got that money in the final analysis you find that this
17 individual has lost his home anyhow with the second
18 mortgage, and so it is my opinion that at least if
19 we don't do nothing else for the public but expose
20 the rate of interest that they pay for the money that
21 they get, we have accomplished something.

22 MR. REILLY: I have an objection to that.

23 MR. BUKATOR: Well, I didn't think you
24 would ---

25 MR. MacDONALD: Mr. Chairman, may I ask
26 our legal counsel.... I was rather interested in the
27 comments of our chartered accountants that if you had
28 on the form a phraseology which avoided specifically
29 interest but said that a calculation of all the
30 charges translated into interest would be ----



When I in the real source person

have had people come to me and say "I would like to
borrow a thousand dollars on the second mortgage", and
they will pay anything to get that thousand. You are
just protecting the agent, and that man is going to get
some money, so I say to them "I don't know where you
can
I'll maybe in a fashion I don't go to be I
the country, because they can get that second mortgage
at 25 per month with an easy monthly as all, a couple
of thousand.

It might be worth it to
MR. WILLIAMS: some people, though
MR. BOKANOWITZ: This is true. I know -- no
not certainly to let
in some cases I will
occure that to you, but in many cases when they have
not that money in the bank, they will find that this
individual has not his case anyhow with the second
mortgage, and so it is my opinion that at least if
we don't do nothing else for the public and expose
the rate of interest that they pay for the money that
they get, we have accomplished something.

I have an objection to that.
MR. WILLIAMS: Well, I didn't think you
would --

MR. BOKANOWITZ: Mr. Chairman, may I ask
our legal counsel... I was rather interested in the
comments of our counsel as to the fact that it was
on the form a phraseology which avoided specifically
lowest but said that a calculation of all the



1 Does this get around the constitutional
2 problem?

3 MR. SEDGWICK: Offhand it is very difficult to be
4 sure, because I don't know what the Supreme Court of
5 Canada is going to say.

6 I don't think the paragraph 4 which states minimum
7 annual rate of interest is unconstitutional.

8 I think what Mr. Common said yesterday

9 charging of interest and the case itself
10 after all, with The Unconscionable Transactions Act,
11 was an attempt to side aside the transaction
12 because the interest charged is excessive, but I doubt
13 very much if the courts would hold it unconstitutional, if
14 you merely insist on a statement of how much you
15 charged. Disclosure, not regulation.

16 MR. MacDONALD: Including the calculation
17 of all other costs; is that it?

18 MR. SEDGWICK: Yes, I think so.

19
20
21 MR. MacDONALD: As a layman I don't see why
22 it shouldn't be.

23 MR. SEDGWICK: Nor do I
24 as a lawyer, because they were
25 charges, that they may not be able to do. If you are
26 saying you cannot charge it, that you may not be able to do.
27 If you are saying you can charge it, say so.

28
29 MR. LAWRENCE: Well, I can't --- I apologize.
30 I apologize --- coming in late. I am sorry I missed



Does this get around the constitutional

MR. SAMPSON: Certainly it is very difficult to be

sure, because I don't know what the Supreme Court of

Canada is going to say.

I don't think the majority is going to say

anyway that it is unconstitutional.

I think what the majority is saying

is that the interest and the value of

after all, with The Unemployment Insurance Act,

was an attempt to take away the franchise

because the interest changed in exchange, but I think

very much in the same way that it is unconstitutional.

You merely insist on a statement of how much you

are going to pay, not negotiate.

MR. SAMPSON: In fact, the value of the

of all other things is just the

MR. SAMPSON: Yes, I think so.

MR. SAMPSON: As a lawyer, I don't see why

it should be so.

MR. SAMPSON: Yes, I think so.

as a lawyer, because that is

because, that may not be able to do. In your

view, you cannot say that you are not able to do

it, you are saying you are not able to do

MR. LAWRENCE: Well, I don't -- I don't

I don't see why I should



1 Mr. Simone's presentation, but I was wondering in
2 the present administration of the Act --- you have
3 probably covered this already --- if so, I apologize
4 to the whole Committee for wasting time,
5 but do you feel your main emphasis is to require the
6 disclosure of high interest rates, or do you put your
7 emphasis on the kind of people that --- or kind of
8 brokers that they are in the business of obtaining
9 too high a rate?

10 MR. SIMONE: Our job has evolved into
11 merely disclosure and without The Unconscionable
12 Transactions Relief Act this mortgage broker's
13 registration on it is not worth too much,

14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



6/25/RPS 1 because I can challenge any mortgage broker in the Province
2 on the basis that I think his rate is unconscionable.

3

4 THE CHAIRMAN: This is disturbing.

5 MR. SIMONE: He just comes right back and
6 says "I have disclosed it, and that's all I have to do".

7 MR. LAWRENCE: Do you feel that your duties -- your
8 emphasis should be further than a disclosure

9 MR. SIMONE: Yes, definitely.

10 MR. LAWRENCE: You do then.

11 MR. IRWIN: Can I, Mr. Chairman,
12 refer to what Mr. said and also
13 to pursue a question that I had asked earlier. Again
14 the auditor coming out in me.

15 Where in attempting to exercise, let's say
16 audit discipline in an organization, we often suggest
17 that, for instance an extra copy of a form will pass from
18 Mr. A to Mr. B. Mr. B may do nothing with it, but Mr. A
19 doesn't know that, and so, therefore, there is a tendency
20 to control Mr. A's operation. I would like to ask two
21 questions again: A -- Would it be within your power to
22 demand an extra copy of this mortgage statement, and B --
23 Using the test method of examination, would this be
24 a useful device for you to be able, when you came across
25 what you considered to be an exceptionally high rate of
26 interest to at least speak to the mortgage broker and
27 question, and to the mortgagor; draw to their attention.
28 I think this would exercise a very salutary discipline
29 over these transactions.

30 THE CHAIRMAN: There are two questions --



1 because I can balance any margin profit in the firm
2 on the basis that I think his rate is unreasonable.

3 THE CHAIRMAN: This is startling.

4 MR. SIMON: He does come right out and

5 says "I have disclosed it and that's all I have to do."

6 MR. LAWRENCE: Do you feel that your duties - your

7 emphasis should be further than a disclosure?

8 MR. SIMON: Yes, definitely.

9 MR. LAWRENCE: You do mean,

10 MR. IRWIN: Can I, Mr. Chairman,

11 refer to what Mr. Simon said and also

12 to pursue a question that I asked earlier. Again

13 the auditor coming in here.

14 Where in attempting to exercise, let's say

15 audit discipline is an examination, do often suggest

16 that, for instance an extra copy of a form will pass from

17 Mr. A to Mr. B. Mr. B may be working with it, but Mr. A

18 doesn't know that, and so, therefore, there is a tendency

19 to control Mr. A's operation. I would like to see

20 questions asked: A - Would it be within your power to

21 examine extra copy of this document, the sheet, and B -

22 Using the fact that it is confidential, would you be

23 a better device for you to use, and then you come a point

24 that you considered to be an exceptionally high matter

25 because to at least speak to the management, direct and

26 questioning to the management; now in their attention.

27 I think this would exercise a very heavy duty on the

28 over their responsibilities.



1 would have have the jurisdiction to do so, and would it be
2 a useful. . .

3 MR. SIMONE: We have the jurisdiction to
4 ask for any information of any transaction. As to it
5 being useful I would say no. I have talked to these
6 fellows for three years and they are going to play this
7 to the limit. They have got a good thing going for them
8 here, and unless strict legislation is passed to cripple
9 them, I had one brokerage tell me directly; he said "You
10 just give me 18 more months of this and I will be a
11 millionaire." So, they are taking a calculated risk.
12 What we found over these past three years is that most
13 people that got into an unconscionable mortgage deal don't
14 know it yet. They won't know until that mortgage matures,
15 and they are faced with the ballon payment. Most of
16 the deals that we saw that enabled us to cancel -- to deny
17 registration to six applicants -- all deals that were
18 signed back in '57, '58 and 59, so that I don't think it
19 is of any value to us to know . . .

20 Your second question referred to going to the
21 broker and saying: "Now we think you charge too much."
22 That is of no value to us unless we can impose a penalty.
23 Again, this is -- somebody is going to have to have the
24 first say as to whether the rate is unconscionable or not.

25 MR. LAWRENCE: Well, on what grounds could you
26 refuse a licence or renewal of a licence?

27 MR. SIMONE: Right now, about the only grounds
28 we can use would be April amendments giving me the power
29 to declare advertising misleading and deceptive. I can
30 order a mortgage broker to pull the Act. If he doesn't



1 it, cancelled his licence for disobeying an order.
2 We would cancel on technicality.

3 MR. LAWRENCE : You wouldn't have any grounds
4 for refusing to renew a licence of a person who habitually,
5 according to the information submitted to you was
6 charging an excessive rate of interest in line 4.

7
8 MR. SIMONE: We could cancel his licence,
9 but any good lawyer would make a look pretty ridiculous
10 on appeal.

11
12
13 MR. LAWRENCE: Further on this point, my ques-
14 tion may be rather facetious: is this government policy
15 that you should worry yourself about the actual interest
16 rate rather and put your emphasis on that rather than
17 disclosure?

18 MR. SIMONE: No it isn't. It isn't government
19 policy. As far as I understand our own effort is to be
20 directed towards disclosure.

21 MR. LAWRENCE: Precisely, because of course
22 there are great constitutional problems involved otherwise,
23 and therefore, I am wondering why you get into this
24 field when, first of all, there is no legislation
25 authorizing you to do so. Secondly, there is no
26 constitutional validity for you to do so,
27 and thirdly it is outright stupid, and I think it
28 mal-administration under your section of the Department
29 to do this. Surely, the intent of the legislation at
30 the moment is to worry about disclosure They



1 are going to be fools and knaves every day in this
2 field. I have seen them. I have had some of them trotting
3 in my office every day, and as long as they know and
4 have every opportunity to know what they are getting into,
5 how in the world can anybody set themselves up as the
6 judge on whether it is a high interest rate or it is not
7 a high interest rate.

8 MR. MacDONALD: Except, I think, Mr. Chairman, Allan,
9 you weren't in for a part of our discussion.

10 MR. LAWRENCE: I appreciate that.

11 MR. MacDONALD: If the main result of declar-
12 ing the minimum rate of seven per cent is not to warn
13 the person that is effective percentage he is paying is
14 12 or 14 or 16 or 18, partial disclosure contributes
15 to the deception.

16 MR. LAWRENCE: This is where I claim you are
17 falling down and I think it is because of the emphasis
18 in your office of ---

19
20
21 You are worrying at the moment
22 about a high interest rate and you have got no darn
23 business to be worrying about a high interest rate. You
24 should be worrying, I would submit, on making sure that
25 people know what the interest they are paying at the
26 moment is on these terms. I think your interest should
27 be such that you are negating the whole intent of the
28 legislation, and you are, at the moment, outside the
29 authority of government policy as well as completely
30 negating the whole intent and the constitutional validity



1 am going to be from the Bureau every day in the
field. I have seen them. I have not seen them in the
in my office every day, but as long as they are in the
have every opportunity to know what they are doing and
now in the world can anybody get themselves up as the
judge on another it is a high interest rate of it is not
a high interest rate.

MR. MASON: That is right, Mr. Chairman. I
am worried in for a good bit of time.

MR. LAWSON: I appreciate that.
MR. MASON: If the kind people of the

and the minimum rate of seven per cent is not the
the person that is the person that is the person
is or is not in the person that is the person
the person.

MR. LAWSON: That is what I am worried
telling me and I think it is the person of the person
in your office of the

and the working of the
shows a high interest rate and you have got to show
business to be working about a high interest rate. I
cannot be working. I could not be working. I could not
people know what the interest rate and the rate of
moment is on these terms. I think you have got to
on your side you are working. I think you have got to
fact, and you are, at the moment, at the moment
authority of government policy as well as a



1 of the legislation that we have.

2 MR. MacDONALD: Not in the redefinition of
3 government policy that goes from the queries of Mr. Irwin
4 and the comments of Mr. Sedgwick.

5
6 MR. LAWRENCE: I am not so sure. I am not so sure that
7 what Mr. Irwin and Mr. Sedgwick has said so far is some-
8 thing that -- that what the government should be
9 about. That is what I am worrying about.

10 Just a moment. I think you are
11 falling down on your job, if you don't mind my saying so,
12 because of your pre-occupation with what is the high interest
13 rate and what isn't the high interest rate, because I don't
14 think anybody in this room or even in this City can tell what
15 is the high interest rate under all the circumstances.
16 I don't mind telling this Committee that at times I have
17 said 24 per cent on a mortgage. At the moment, I wouldn't
18 be owing my house, or rather have a substantial equity
19 in my house if I wasn't able to get into the second and
20 perhaps the third mortgage markets here in helping to
21 finance that. Under certain circumstances, this is the
22 only way that people can get to own their homes. And
23 they, and the people involved at the time are the only
24 ones who can tell whether it is a high interest rate or not.

25 I feel that the emphasis in those Departments
26 should be solely and simply, to make sure that people know
27 what they are getting into. That is, as far as a complete
28 disclosure of the effective interest and what they are paying
29 to include all these things, and I think, at the moment,
30 we will hear later testimony from people in the field who



Mr. [Name]: Now in the position of

Government policy that goes from the question of Mr. [Name]

and the conduct of Mr. [Name]

Mr. [Name]: I am not so sure, I am not so sure that

was Mr. [Name] and Mr. [Name] was said to be in some

being that he was what the Government should be

about. That is what I am working about.

That is what I think you are

telling down on your job, if you don't mind me saying so.

Because you are not going to get it done, what is the high school

and I am not going to get it done, because I don't

think anybody is going to get it done, even if they can tell

is the high school, and under all the circumstances

I don't think telling the Government that is what I am

saying is not going to get it done, if the Government is not

going to get it done, or what is the Government going to

do with it? I want to get it done, and I want to

get it done, and I want to get it done, and I want to

get it done, and I want to get it done, and I want to

only way that people can get it done, and I want to

get it done, and I want to get it done, and I want to

get it done, and I want to get it done, and I want to

get it done, and I want to get it done, and I want to

get it done, and I want to get it done, and I want to

get it done, and I want to get it done, and I want to

get it done, and I want to get it done, and I want to

get it done, and I want to get it done, and I want to

get it done, and I want to get it done, and I want to



1 don't have a very high regard at the moment for this
2 particular Act because of your pre-occupation ---

3
4
5 MR. SIMONE: Yes, well I would have to answer
6 that remark by saying that, this, in my estimation has been
7 one of the dirtiest Acts to administer, and anybody who
8 wants my job is welcome to it, because in three years,
9 what I have seen has sickened me, and I cannot administer
10 this Act and separate disclosure from effective interest
11 rates. Here, here.

12 MR. SIMONE: I cannot do it, and I defy any-
13 one else to do it. Now, I will illustrate my point.
14 About six weeks ago we got a complaint from a very eminent
15 C.A. here who, thank God, had enough charity in his heart
16 to go back to this woman. This woman had borrowed eight
17 thousand dollars on a first mortgage, and signed ten-
18 eight. The mortgage was sold for ninety-three hundred
19 dollars. So, the value of the risk on that mortgage was
20 exactly thirteen-hundred dollars. No more, no less,
21 because the only man who can set the market on the bonus is
22 the lender. So, I told the broker, and I said "You've
23 pocketed fifteen-hundred dollars on this deal. I
24 have enquired as to the location of the property; sure,
25 it's in the termite area but there is definitely a
26 re-development in that area. This property is now worth
27 twenty-thousand dollars of anybody's money." Well, he says
28 that could be so - "What do you want me to do about it?"
29 "Well, I think we should make an adjustment." "Why?"
30 "Well, because the interest that you charged -- the bonus



1 in my estimation is unconscionable."

2 Now, if I didn't say that, I would have to drop
3 this case and say "Mr. Jones, you made full disclosure",
4 and he did disclose the bonus. MR. LAWRENCE: But she knew what
5 she was getting into. MR. SIMONE: She knew that she was paying the
6 bonus, but she didn't know she was paying the effective
7 rate of interest. I think it worked out to 37 per cent,
8 on a first mortgage. So, this man is buying time from
9 us. He said "What do you want me to do?" I said "I want
10 you to give fifteen-hundred dollars back." This woman was
11 going to be dispossessed the following week. The writs had
12 all been issued -- all presented to me by the C.A. who went
13 to bat. "Oh," he says, "I couldn't do that." Right away
14 he starts the horse trade, you see.

15 To make a long story short, he gave back a
16 thousand dollars. This is the third time that this broker
17 has given back sizeable amounts; all based on whether or
18 not I thought the effective rate of interest was uncon-
19 sionable. I took it to the Superintendent -- it bothered
20 me, you know, this is wheeling and dealing with these people
21 and he said "Well, I think our prime concern here is to
22 save this woman's house, and if that thousand dollars
23 saves her house, well and fine." And we made sure that
24 it did because the money was directed to a solicitor who
25 paid off the arrears on mortgage and taxes.

26 MR. LAWRENCE: Mr. Chairman, I hate to
27 belabour this, but I still think it is pertinent. I
28 must not, I realize, enter into the philosophies here,
29 whether you should be policing the rates of interest or
30 merely ask for disclosure. I can't count



It was certainly an extraordinary thing.

Now, if I should say that, I would have to say

this case and say "Mr. Jones, you made that disclosure

and he did disclose the money. I think that's all that

is.

She was getting into the house and she was paying the

money, but she didn't know she was paying the money

of interest. I think it worked out to be for her

on a kind of a loan. So, that was the way it was

was. He said "What do you want me to do?" I said "I want

you to give fifteen hundred dollars back." I think that

going to disburse the following week. The wife had

all been taken -- all presented to me by the C. A. and

to her. "Oh," he says, "I don't know." Right away

he starts the horse trade, you see.

He made a long story about it, he says that

thousand dollars. That is the kind of thing that

has given back almost the amount; all paid in interest

and I thought that the five percent of interest was

absolutely. I took it as the five percent. It is

not, you know, that is the kind of thing that

and he said "Well, I think you better know that

and this woman's house, and it was a very big

house was bought, well and fine. And he made a

it did because the money was taken to the bank

paid off the house on mortgage and taxes

of the house. I think that

probably that, but I still think it is

was not. I realize, after that, the money was

whereas you should be paying the money of interest



1 I assumed that your jurisdiction is under the Act, to
2 require disclosure. Supposing that a registered mortgage
3 broker ignores this form; he doesn't give it to the
4 borrower. Now the borrower hasn't read the Act -- he
5 probably doesn't know the Act exists, and you don't know
6 whether it has been recorded. Where does that leave you
7 in the matter of disclosure?

8 MR. SIMONE: We may never find out
9 about it. The only way we can find out is on an examin-
10 ation, and I have a staff of one examiner.

11 MR. LAWRENCE: Well, I think my point is
12 then, if the legislation places upon you the
13 jurisdiction of requiring disclosure, then, I think we
14 should concentrate some attention on giving you the
15 additional or recommending to you the additional tools
16 to make disclosure effective. That is the only point I
17 am trying to establish.

18 MR. IRWIN: Do you think the compulsory
19 filing of these statements in every case with your office
20 would help you any in the administration of the Act?
21 the administration of the Act

22 MR. SIMONE: Initially yes, but later
23 on, no. Because I am afraid unless we established a hard
24 and fast system of testing, as Mr. Irwin suggests, and
25 following up. . . These forms fall into a pattern and,
26 as Mr. MacDonald says, they just pile up.

27 You have to have a staff, and you have
28 MR. LAWRENCE:
29 to apply yourself to it. One can't help but make the
30 remark that there isn't much point in establishing a
jurisdiction by legislation unless it is intended that it



MR. MacDONALD:

1 shall be carried out. This is the problem of the
2 licensing in the Nova Scotia Act, I suspect.

3 MR. LAWRENCE: MacKenzie was here yesterday.

4 Some thought should be given to making the

5 MR. MacDONALD:
6 legislation effective. I think what appears there . . .

7 I think there is a very useful exchange here, because
8 if in the administration of the Act you don't look at
9 the effective interest rate and worry about it; because
10 this is the object of your disclosure to get this inform-
11 ation across. What you are doing is perpetuating some-
12 thing that is, in my estimate, legalized robbery.

13 MR. LAWRENCE: Don't, for heaven's sake think that I am
14 a proponent of some of the mortgage loan sharks by any
15 means, because what you know is --

16

17

18 At the moment, quite frankly, I don't think we are getting
19 anywhere near the root of the trouble; and that is because
20 the legislation says one thing, and government policy says
21 one thing, and on the other hand, in the administration of
22 the thing you are worrying about something
23 else. Perhaps in the way government is poking its nose
24 into everything these days, we are going to come to this
25 state where you do have some individual sitting up here,
26 telling people what is best for them and what the
27 interest rate on first, second and third mortgages should
28 be, and everything else. I would hope not, but in any event
29 perhaps we are moving towards that, but I don't think
30 we have come to that position yet because we don't have
the staff, we don't have the means and we don't have the



1 experience to be able to do it. I think that the
2 legislation says one thing, and our constitutional auth-
3 ority is directly along one line, and that is the way
4 it should go in the hope that we can really find out what
5 the problem is and attempt to attack it by that means.
6 At the moment, we are not. This is the problem.

7 MR. SIMONE: I think I have given the wrong
8 impression, Mr. Lawrence. I think I have to go back.

9 We are not pre-occupied with the effective
10 rate of interest, because the case I cited before -- that
11 will happen once or twice in a year. Most of my time is
12 spent dealing with complaints from mortgage brokers about
13 this competition advertising. Ninety per cent of my time
14 is spent there and I am constantly getting after them to
15 not use gimmick and bait advertising, to make full disclosure.
16 For example, one of the requirement we have laid down
17 for three years is that where you show a sample
18 schedule of loans; you know -- you borrow fifteen-hundred
19 and you pay \$20.00 a month. You must also show the
20 other pertinent information, otherwise, I class it as
21 gimmick and bait advertising. Why? Because the \$20.00
22 a month is a come-on. Low monthly payment, without
23 emphasizing that at the end of five years you still owe
24 as much as you borrowed, you see. So, we say: All right,
25 if you want to advertise in that fashion, we know that
26 you haven't got enough room in a little classified ad
27 to give all the pertinent information, but at least,
28 give the effective rate of interest and they shy away
29 from it. They don't want to show the effective rate of
30 interest and they come right back and they say: Why should



1 I am sure that the
2 legislation is a very good thing, and I am sure that the
3 only is already along the line, and that is the way
4 it should go in the future when we can really reach out and
5 the problem is only a matter of time, and it is by that means.
6 At the moment, we are not. This is the question.
7 MR. BAKER: I think I have given the wrong
8 impression. Mr. Lawrence, I think I have to go back
9 we are not concerned with the effective
10 rate of interest, because the case I cited before -- the
11 will happen even on a 10% rate. Now, on my time is
12 spent dealing with complaints from mortgage brokers about
13 this competitive advertising. I think you can see that
14 is spent there and I am constantly getting after them to
15 not use grammar and style advertising, to make this classic
16 for example, one of the requirements is to have into the
17 for three years as a rule, when you show a house
18 schedule of interest, you know -- you don't know when you
19 and you pay \$50.00 a month. You know also that the
20 other pertinent information, I think it is
21 given and self advertising, what is the point of
22 a house to a house, and what is the point of
23 advertising in the end of the year, and what is
24 as much as you know, you are not. So, the only way to
25 if you want to advertise in the future, you know that
26 you haven't got to be. You know that is the only way to
27 to give all the necessary information, and it is
28 Give the effective rate of interest and how often
29 from that they don't want to show the effective rate



1 we show it? The banks don't show it, the finance companies
2 don't show it Why should we show it?

3 I say to you, I don't care about the banks --
4 you are selling at a low monthly rate and misleading that
5 borrower into thinking that at the end of the term of
6 that mortgage, that perhaps his obligation is paid off
7 when in fact it isn't. You see, what they do is they --
8 Mr. Lawrence will bear me out -- they write a mortgage
9 for three years which may be advertised on a 15 year
10 basis; without stressing that at the end of three years,
11 the whole balance is generally due. What they stress
12 is the positive, not the negative.

13 It is not a bankable security. This is your
14 signature only. This is the sort of deception we have
15 have concentrated on. In the Toronto area, there is
16 practically no more deceptive advertising amongst the
17 mortgage brokers. In the outlying areas, yes -- Ottawa,
18 Hamilton, Niagara Falls, London, we are still getting
19 it.

20 THE CHAIRMAN: Well, this is certainly a
21 step in the right direction and we are making headway.

22 MR. SEDGEWICK: I would like to ask one question,
23 Mr. Chairman. Am I right in presuming it is a ballon
24 thing insofar as it is due at the end of the term of
25 3, 5, 7 years or whatever it is. . .

26 MR. SIMONE: Exactly.

27 MR. SEDGEWICK: . . . in the balance of the
28 loan, plus bonus, plus handling charge.

29

30 MR. REILLY: From the standpoint of information,



1 Mr. Chairman, do the mortgagors concerning industry and
2 commerce come before your Department, do they also have
3 to fill out as well as homes?

4 MR. SIMONE: Yes, commercial type mortgages.
5 But, we don't have the problem there, because we consider the
6 commercial type borrower as a knowledgeable person and

7 . . .

8 MR. REILLY: So this point I was asking you
9 earlier -- what constitutes an unconscionable interest
10 rate in this particular case that you told us about
11 recently; 37 per cent was unconscionable because this
12 lady was going to lose her home. Is that correct?

13 MR. SIMONE: Yes, and I would also rule that
14 that 30 per cent rate is unconscionable on the basis
15 that even though her home was completely termite-ridden,
16 that she had not the ability to repay. I went into this
17 facet too. You see, she should have charged the Depart-
18 ment of Works or something like that. How could she
19 carry a burden of 37 per cent interest?

20 LAWRENCE: Mr. Simone, as one who sometimes
21 gets blamed by the public for some of the actions of
22 civil servants, may I say that you are taking
23 your shoulders a heavy field of responsibility that
24 in some cases extremely learned people who have had a
25 lot more experience in the field than you or I will ever
26 have, and who also sit on the benches of justice of
27 this country have great difficulty in deciding
28 a thing is unconscionable or not.

29
30 I would say that that has not a darn thing to do with whether



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100



1 she can carry it or not and that particular instance
2 would depend on the circumstances surrounding the matter
3 at the time when she ---
4

5 MR. SIMONE: His licence wouldn't be
6 in jeopardy because of what I thought -- I only used that
7 to get this woman back the money if I can.

8 MR. LAWRENCE: I hope you are going to be
9 here when the Mortgage Brokers Association appears because
10 I have a fair inkling they are going to have some
11 complaints about the administration of the Section. We
12 hope to be fair to you - that you are going to be here.
13
14

15 MR. MacDONALD: I think, Mr. Chairman, it would
16 be very useful to have Mr. Simone here.
17
18

19 THE CHAIRMAN: We certainly appreciate your
20 coming.

21 MR. MacDONALD: We have had two or three refer-
22 ences to this "Buy Now-Pay later"

23 MRS. DELL: We have two copies available if
24 you want to borrow them.
25

26 MR. MacDONALD: Is it one of these Penguin
27 books?
28

29 THE CHAIRMAN: Cardinal.

30 MRS. DELL: Is it Cardinal?



the can carry is on out and that particular time
 would depend on the circumstances surrounding the
 at the time when she

MR. SHERMAN: His absence would be
 in jeopardy because of what I thought -- I only read the
 to get this woman back the money if I can

MR. SHERMAN: I hope you are going to be
 here when the Mortgage Brokerage Association appears
 I have a fair feeling they are going to have some
 complaints about the administration of the system. We
 hope to be fair to you. What you are going to be

MR. SHERMAN: I am of the opinion it would
 be very difficult to have Mr. SHERMAN

MR. SHERMAN: We are not sure we have

MR. SHERMAN: We are not sure we have

need to this "New York" and

MR. SHERMAN: We have two copies each

MR. SHERMAN: We have two copies each

MR. SHERMAN: Is it one of them I

MR. SHERMAN: Original

MR. SHERMAN: Is it original



1 MR. MacDONALD: Are they readily avail-
2 able?

3 MRS. DELL: Yes. Coles and the Ontario
4 Credit League sell them at .45¢ each.

5 MR. MacDONALD: If the Committee doesn't provide
6 them, I will spring myself to one.

7
8 MR. WHITE: Mr. Chairman?

9 THE CHAIRMAN: Mr. White?

10 MR. WHITE: From a humanitarian point of view,
11 what Mr. Simone is doing is very commendable. Of course,
12 it is hard to criticize him without looking as if you are
13 allied with the forces of evil, but what may be highly
14 commendable from a humanitarian point of view may be
15 extremely dangerous from a governmental point of view.
16 I had several instances in London where certain boards
17 of the city had undertaken Acts which are flagrantly
18 illegal, because they think it is the best thing for the
19 community. This idea of a board of commission or
20 government or civil servant being above the law, of course,
21 all done in the name of justice, leads to totalitarian
22 regime, so without criticizing this gentleman who seems
23 to me to be an excellent public servant, I question if
24 that approach is desirable from the long-term -- stand-
25 point of the long-term well-being of the community.

26 MR. SIMONE: What alternative would you suggest?

27 MR. WHITE: Well I suppose if the government was
28 responsible for such things, mainly the federal
29 government might consider imposing certain Acts in the
30 mortgage that they thought would be desirable;



MR. McDONALD: Are they really useful?

MR. SIMONE: Yes. The Credit League will them at 10% each.

MR. McDONALD: If the Committee doesn't provide them, I will bring them to me.

MR. WHITE: From a humanitarian point of view, what Mr. Simone is doing is very commendable. Of course, it is hard to criticize him without looking at it from the allied with the forces of evil, but what may be highly commendable from a humanitarian point of view may be extremely dangerous from a governmental point of view. I had several friends in London where certain people of the city had undertaken Acts which are extremely illegal, because they think it is the best thing for the community. This idea of a board of commission of

government or civil servant using above the law, of course, all done in the name of justice, leads to totalitarian regime, so without realizing this gentlemen who seem to me to be an excellent public servant, I question if that approach is desirable from the long-term -- a good point of the long-term well-being of the community.

MR. SIMONE: What alternative could you suggest?
MR. WHITE: Well I suppose if the Government is responsible for each citizen, making the Federal Government might consider imposing some Acts in the



1 I don't know. As Mr. Lawrence says, we get into a pretty
2 tricky field, because it may be that a knowledgeable
3 borrower will pay 50 per cent on money and make 60 or
4 70 or 80. That's why setting maximum interest rates is
5 difficult and

6 Now, may I ask this one final question? At the
7 top of this statement of mortgage form; this form must
8 be completed in duplicate, et cetera, and one half be
9 given to the borrower at least 24 hours before he is
10 asked to sign the mortgage documents. I have forgotten
11 who it was, but it has been suggested in the House that
12 conditional sales contracts be cancellable at the option
13 of the buyer within 24 to 48 hours from the time of
14 signature. It seems to me that the buyer would have a
15 little more protection if he could cancel out after the
16 signature, rather than be provided with a form for
17 certain number of hours before signature. It just seems
18 to me that the psychological point of view -- a fellow
19 has made a purchase, then becomes highly conscious
20 of what he has paid and the terms and conditions and
21 so on. I wonder if it wouldn't be more effective if
22 they had the option of cancelling out within let us say
23 48 hours.

24 MR. SIMONE: Mr. White, unfortunately the
25 mortgage brokers anticipated all this. This is not
26 binding. This is just a disclosure form. Before the
27 borrower signs this form, the broker has had the borrower
28 sign an application form. Now, those of you who are
29 lawyers here might just make note of this -- that what
30 we found was happening, on some of these application



1 forms the borrower commits himself to pay the full charges
2 if the deal becomes abortive because he gave false
3 information or failed to pick up the mortgage. Now I
4 am not a lawyer, but this is the sort of thing, Mr. Lawrence,
5 that I had to start to pay attention to when I got
6 into looking after this sort of enterprise, I found that
7 the broker was registering this application on title in
8 the face of Chitty's Rules of Practice which says you may
9 not register on title as a *lis pendens*

10 where the interest is nothing more than a money interest.

11 Now, this didn't happen in land titles, because
12 apparently the Registrars there are more knowledgeable
13 people. But, in the Registry Offices these doggone
14 forms were being accepted and put on title, and the borrow-
15 er, being unhappy with the the application -- the borrower
16 being unhappy with the deal that was offered to him or
17 for any other reason, he goes to another lender so that
18 lender proceeds to try and arrange a mortgage, and immed-
19 iately he searches titles he finds this *lis pendens*.

20 So, a lawyer is called into the picture if the poor
21 borrower can afford it, and the borrower recognizes this
22 as an entirely legal procedure, but, he still has to make
23 a motion to get this thing removed from title.

24 He still has to go to, and inspects on behalf of his
25 poor borrower.

26 MR. LAWRENCE: Are you suggesting that an
27 application for mortgage which in effect is a legal docu-
28 ment with obligations and responsibilities due on both
29 sides. I imagine there is not
30 an insurance company, a trust company, a bank, a -- anybody

1 I have the pleasure to acknowledge the receipt of your letter of the 14th inst. and in reply to inform you that the same has been forwarded to the proper authorities for their consideration. I am not a lawyer, but will do the best of my power to assist you in your endeavor to obtain the same. I have no doubt that you will be successful in your endeavor to obtain the same. I am, Sir, very respectfully,
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100



1 at all in the real estate business today, not only today
2 but for the last fifty years that hasn't had these appli-
3 cation forms. Do you say these should be legally not
4 binding upon either party?

5 MR. SIMONE: No. We rule this way. We said,
6 all right now, you can leave that clause in your contract,
7 but the borrower is liable for the cost, but we made
8 them take out or at least we are trying to make them
9 take out the other little clause that says that this
10 application shall become a lien on property just the
11 same as if it was a mortgage.

12 MR. LAWRENCE: Well, how do you collect on them?

13 I mean, how do you collect on the cost
14 on charges? Take a trust company - a hypothetical case
15 where A, who has a home applies to a trust company for
16 a mortgage. He signs an application, and in every one of
17 these things that I have ever seen, it says by signing
18 this application I say that I will be responsible for
19 any cost or the charges incurred by the trust company
20 in approving this loan in case the loan goes sour, in
21 effect. Now, once that application is made, the lender-
22 to-be goes to a fair amount of trouble and a fair amount
23 of expense in seeing if he wants to loan this money
24 to him. He has
25 extensive real estate valuations done and a number of
26 other things. Now if, when the deal goes sour, if the
27 lender-to-be cannot come along and place an encumbrance
28 or a lien on the only assets that this man -- that I
29 have, and what in the world good is there when
30 you are getting into a situation where the guy has got



1 nothing to lose. A, the borrower has got nothing to lose
2 by going out and incurring all sorts of expenses.

3 MR. SIMONE: Well Mr. Lawrence,
4 there is nothing stop the lender from making this demand
5 on the borrower under the terms of the contract.

6 MR. LAWRENCE: Yes.

7 MR. SIMONE: If the borrower refuses to pay,
8 sue him and prove your claim in court; then file on
9 title, but not to file what is in effect - to use an
10 illegal process which is being countenanced.

11 MR. LAWRENCE: Well, of course, you are
12 aware that really this isn't an incumbent -- or
13 at least I hope you are aware.

14 MR. SIMONE: Yes.

15 MR. LAWRENCE: It is just merely notice on
16 title to anybody who comes along later.

17 THIS

18 MR. SIMONE: The face that ---

19

20 MR. LAWRENCE: And if he doesn't start an action
21 about it pretty darn soon, well it can just be very easily
22 removed from there. I would assume there were ---

23 In any event, before it could be
24 an incumbent before the guy could collect on anything,
25 or the trust company can collect on anything, it has got
26 to go through the courts. This is the whole point.

27

28 MR. SIMONE: But the injured party has
29 to take it to court. He has no money, because he has been
30 trying to borrow money.



by going out and looking at the state of affairs.

there is nothing, except the fact that this is the

on the part of the government.

MR. LAWRENCE: Yes.

MR. SIMON: The government refuses to

give him and give your claim to society, this is

little, but not to the point of the fact that the

it is a great deal of being concerned.

MR. LAWRENCE: Well, of course, we are

aware that really this is the case.

at least I hope you are aware.

MR. LAWRENCE: It is just merely a

little to anybody, no extra thing.

MR. SIMON: The fact that --

MR. LAWRENCE: And it is the fact that

about the fact that we are not

removed from the fact that we are

In any case, the fact that

on the part of the government, the fact that

at the fact that the government is not

to go through the fact that the

MR. SIMON: The fact that

to take it to the fact that the



1 Mr. Chairman, I would not like the Committee
2 to go away with the impression that the Department of
3 Insurance is acting without regard to Government policy.
4 We certainly are not. Mr. Simone is merely talking
5 about the sad case, in dealing with extreme situations.



1
2
3 Now, upon this first feature,
4 if, as Mr. Lawrence suggested, the reputable
5 borrower who is doing all of those things in that he is
6 investigating, evaluating and what-not to protect the proposed
7 debt, he is certainly entitled to recover his out of pocket
8 expenses and his time to be able to sell it, but
9 any persons that Mr. Simone has in mind are not
10 reputable and they are not representative of the
11 mortgage brokers generally. There are very few of them,
12 but they telephone these people that they get on the
13 hook who may not even be looking for money. They
14 have these sleek-toned females --- telephone operators ---
15 who phone in subdivisions and a line of patter
16 which leads the housewife to believe something other
17 than what actually is intended. Then these phone
18 operator who goes by a name which leaves the impression
19 that they are very reputable companies, and very
20 reputable-sounding names --- hasn't got
21 any capital of his own is really operating on a guess.
22 He gets into the home and he is pretty hard to dislodge
23 without them signing something. Now, I know when
24 Mr. Simone first brought this to me ---- I simply
25 said "Well, no one could do this to me in my home ---
26 I would throw them out ---
27 but this particular individual is a very great
28 actor and he will break down in tears and actually
29 he trades on the fact that people have
30 a natural tendency to be hospitable in their own



1 homes, and they don't like to offend those people
2 talking and all the rest of it.
3
4 Now, you and I don't believe, would have
5 the heart to do what he does. And then we get the
6 arrangements from the people and when we get people
7 who are scattered in subdivisions around Toronto --writing
8 in a way that they are not very used to writing letters in
9 the first place,
10 but the essentials are all the same.
11
12 And they are not devoted to one another.
13 You have to believe that
14 this is the man's modus operandi, and he is hooking
15 them for 10% of whatever they agree to borrow and
16 oftentimes remembers that he hasn't got the money until
17 he gets him on the hook first to borrow money, and
18 then he has to scurry around to get somebody to
19 advance it, and he doesn't particularly care
20 whether the loan goes through or not he is still
21 going to get his \$400.00, \$350.00, \$500.00. Now, and
22 of course we get into it when these people finally
23 go to the lawyers and the lawyers
24 and he says, "Well", take them to court
25 or take them to court and
26 I know what is going to happen. The court is going
27 to take the attitude, well, this man is entitled to
28 his \$150.00 or \$200.00, the is entitled
29 to nothing, because he wasn't being prepared
30 in many of these cases. Now, the funny thing
is, although, of course ----

1 home, and they don't like to stand there waiting

2 for him and all the rest of it.

3 Now, you and I don't follow, we don't have

4 any reason to do what he does. And then we see how

5 arrangements with the people and what we can get

6 for it was that they are not going to sell it. I think

7 and the case is all over.

8 And they are not devoted to one another.

9 You have to believe that

10 this is the man's motive. And he is looking

11 then for 10% of whatever they agree to borrow.

12 Sometimes remember that he hasn't got the money and

13 he gets him on the back. Then he has to pay

14 then he has to pay for the rest of the money.

15 Whether the loan goes or not he is still

16 going to get the \$100,000, \$100,000, \$100,000

17 of course we get into it when we get into it.

18 go to the lawyers and the lawyers

19 and he says, "Well, I take him to court."

20 we take them to court.

21 I know what he is going to do. He is going to

22 take the money, well, and then he is going to

23 take \$100,000 or \$200,00, the

24 no matter, because he won't take it.

25 in many of these cases.



1 MR. REILLY: Mr. Jaffray.

2 Are you trying to tell the Committee now that you are
3 trying to protect the householder from this type of
4 solicitation?

5 MR. JAFFRAY: No. We are only concerned
6 when the householder comes with a complaint --- that is
7 the only time we go into it.

8 Now, insofar as the mortgage broker is
9 concerned in this particular situation, he knows that
10 if he doesn't

11 Mr. Simone, he can come to me. If he doesn't like the
12 shares, he can go to the superintendent, and if he
13 doesn't like that, he can go to a board of his own
14 mortgage brokers. They are not

15 I demand a hearing, and then the mortgage brokers
16 themselves will make a recommendation as to what action
17 should be taken against this individual. The fact
18 that if \$1,000.00 they don't

19 do that. I think it is an indication they don't expect to
20 be successful

21 if they take it to colleagues who are in the business ---
22 and who are operating in a reputable fashion. The
23 mortgage brokers themselves are only individuals and
24 they would like but everybody is

25 aware of the person who can't write and you bend over
26 backwards always to give them the benefit of the doubt.

27

28

29

30



Mr. Jolly:

MR. JOLLY:

Are you trying to tell the Committee now that you are

trying to protect the borrowers from this type of

solicitation?

MR. JOLLY: No. We are only concerned

when the borrower comes with a complaint -- that is

the only time we go into it.

Now, insofar as the mortgage broker is

concerned in this particular situation, he knows that

if he doesn't

Mr. Simon, he can come to me. If he doesn't like the

agency, he can go to the superintendent, and if he

doesn't like that, he can go to a board of his own

mortgage brokers. They are not

I demand a hearing, and then the mortgage business

themselves will make a recommendation as to what action

should be taken against this individual. The fact

that it is \$1,000,000

to that. I think it is an indication they don't expect

to be successful

if they take it to colleagues who are in the business --

and who are operating in a regulatory fashion. For

mortgage brokers themselves are only individuals and

they would like

aware of the person who could write and you find out

bankruptcy court to give them the benefit of the doubt.



1
2 They are going to be pretty spineless and
3 ultimately take the position and even then

4
5 We are not concerned with whether it is ---
6 first of all, if it is under 25%. It would
7 have to be over 25%, or so he thinks, both Mr. Simone and I
8 are well aware of and concerned with the rate
9 of interest that is charged.

10 MR. LAWRENCE: Now, that is interesting.
11 Was this --- have you been following up this particular
12 policy in the administration as regards before the
13 Department would be even ---

14 MR. JAFFRAY: This 25%, do you mean?

15 MR. SIMONE: Again, I must emphasize
16 the interest is our last concern.

17 MR. JAFFRAY: Well, when we ---

18
19 MR. LAWRENCE: Well, this is a loaded question,
20 I must admit, but I have had complaints come to me from
21 some people, and about ---
22 Again, I don't know if they have more means than I have
23 to be able to get more

24
25 expensive mouthpieces
26 in the form of Mr. Sedgewick, I suppose, but people
27 who come along and said in effect, a 16, 17% real
28 rates of interest on some of these second mortgages
29 that



They are going to be pretty operations and
ultimately take the question and even then

We are not concerned with whether it is --

first of all, it is not

have to be over 2-3%, or so in which, both Mr. Simons and I

are well aware -- with considerable interest in the matter

of interest that is changed.

Now, this is interesting.

Was this -- have you been following up this particular

policy in the administration as regards below the

Department would be even --

MR. TARTAGLIA: This 2-3% do you mean?

MR. SIMONS: Again, I must emphasize

the interest in our last conversation.

MR. TARTAGLIA:

MR. LAWRENCE: Will, this is a broad question

I must admit, but I have had complete confidence in me from

some people, and about --

Again, I don't know if they have more reason than I have

to be able to set back

regarding the question

in the form of Mr. Lawrence, I suppose, and people

has come along and said in effect, "I don't

know of interest on some of these things and so



1 you have indicated to them following the four-letter words
with
2 this and that and the next thing.

3 MR. JAFFRAY: Well, thank you.

4

5 MR. LAWRENCE: These are far too exorbitant, unconscionable
6 and everything else, and by golly, it is simply the
7 Government's place to used to it if we do not cut
8 this down.

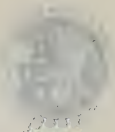
9 MR. JAFFRAY: It is propaganda warfare.

10 MR. LAWRENCE: Well, in a certain sense
11 it is, and I am bringing it up here now in the hope
12 that you will say this is not true. Is it or isn't it?
13 I mean have you ever threatened people for a second
14 mortgage interest of 16 or 17%
15 and indicated to them that this was far too exorbitant,
16 and if you had your way nobody would be paying over ten
17 or eleven and things like that?

18 MR. JAFFRAY: No, of course not. I would
19 I would look up ---

20 Of course not.

21 MR. SIMONE: I express an opinion
22 that I had. In my opinion that rate, having regard to
23 all the facts, was not a fair rate. Now, I think
24 I have a right to do that. You see, as you know, when
25 the amendment to The Mortgage Brokers' Act was being
26 passed, some effort was made to not transfer it to the
27 superintendent --- from the superintendent to myself
28 right to cancel the licence, because these birds
29 know that they hoped when this Act came into force
30 that they would have a civil servant who would merely



1 This end and the next thing.

2 MR. JAWORSKI: There are two and a half million.

3 and everything else, and by 1911, it is simply the

4 Government's place to try to it if we do not get

5 this done.

6 MR. JAWORSKI: It is propaganda warfare.

7 MR. JAWORSKI: Well, it is a certain thing.

8 It is, and I am bringing it up here now in the hope

9 that you will say this is not true. I am not saying it

10 I want have you ever experienced people for a second

11 mortgage interest of 10 or 15%

12 and indicated to them that this was far too much to pay,

13 and if you had your way nobody would be paying over ten

14 or eleven and things like that.

15 MR. JAWORSKI: Not of course not, I will say.

16 I would look up --

17 Of course not.

18 MR. JAWORSKI: I suggest an opinion.

19 that I had. In my opinion, the whole thing is a

20 all the time, was not a fair rate. Now, I think

21 I have a right to do that. You see, as you know, who

22 the amendment of the mortgage interest law was really

23 passed, some effort was made to get women in to

24 representatives -- from the representative to women.

25 right to cancel. The interest, because of the

26 know that they hoped when this law came into force



1 do the minimum, so that they could go on their merry way.
2 Now, I cannot behave that way, so if you can sense it in
3 the way I talk, that I get involved in these and this is
4 the way we have managed to clean up the mortgage business
5 a little bit. These people who have a vested interest in
6 them would like to get me removed. Now, most of them are
7 not members of the Ontario Mortgage Brokers' Association.
8 I enjoy the finest relations with those members.

9 MR. MacDONALD: I think we have got a --- sorry.

10 MR. NODEN: I think that Mr. Simone has just
11 answered the questions raised ---

12
13
14 MR. JAFFRAY: I don't think Mr. Simone is ---

15 MR. LAWRENCE: I apologize -- I should think
16 that civil servant who appears before this particular group
17 or another group shouldn't be put on the spot as though he
18 were a witness in a court case where he is liable to
19 be embarrassed. I certainly heard these statements made
20 about the way you have been acting and I have been acting
21 and I just wanted to make sure that in denying them --
22 I couldn't imagine anybody taking this stand, and --

23 THE CHAIRMAN: Well, in fairness to Mr.
24 Lawrence, though, I mean these men are here to give us
25 the facts --- questions pretty hard in order to do it ---
26 there is nothing personal about it, you understand that.

27 How do you frame it ---
28
29
30



to the point where they could go on their own way
now, I would have said that way, so if you can manage it in
the way I feel, that I can answer in that way and you go
the way we have managed to clear up the mortgage business
a little bit. These people who have a vested interest in
that would like to get me removed. Now, most of the other
not members of the Ontario Mortgage Bankers' Association.
I enjoy the closest relations with these members.

MR. MATHIAS: I think we have got a --
MR. MATHIAS: I think that Mr. Mathias has just
answered the question raised --

MR. MATHIAS: I don't think Mr. Mathias is --
MR. MATHIAS: I apologize -- I should like

that civil servant who appears before this committee and
or another group should be put on the spot as to whether
were a witness in a court case where he is liable to
be embarrassed. I certainly heard these statements made
about the way you have been acting and I have been careful
and I have wanted to make sure that in saying that
I wouldn't let anyone say anything about this, and --
MR. MATHIAS: Well, in fairness to me.

Answered, though, I mean these men are not to give us
the facts -- questions have been asked in order to get it --
there is nothing personal about it, you understand that
how do you feel about it --



1

2

3

4

5

THE CHAIRMAN: We are not here to play
footsie with the witnesses ---- we have---

6

7

8

9

MR. LAWRENCE: I am trying to say something.
I don't think I am here to play footsie with anybody.
I think I am entitled to my opinions and I am just
asking questions.

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

THE CHAIRMAN: You wanted to ask?

MR. MacDONALD: Well, it is just that it is
a point that I wanted to make that I think we have got
to get clear here in the administration of any act is
that in almost any field there is a minority. We hope
it would be a very small minority who are really
operators. They know they are violating the law. They
have got high-priced lawyers if they ever get into
difficulties and hope that they can continue to violate
the law, and if you don't have a tough administration,
the thing within the framework of the law that we have
provided we are just perpetuating the kind of thing
we are trying to clean up, so I think if we are going
to err --- if we want to eliminate this minority so
that those who are in the credit field and lending
field and who are respectable people of integrity ---
they are not being smeared. This is your problem, so
rather than being critical of trying to eliminate
this minority, I think we should commend them and we
should devise more effective legislative means so that



THE CHAIRMAN: We are not here to play

footie with the witnesses --- we are not ---

I don't think I am here to play footie with anybody.

I think I am entitled to my opinions and I am just

I'm wanted to ask

MR. MASON: Well, it is just that it is

a point that I wanted to make about I think we have got

to get clear here in the administration of any and so

that is almost my field there is a difficulty. We have

it would be a very small thing, my own view is that

operators. They know they are violating the law. They

have got right-handed lawyers if they ever get any

difficulties and hope that they can continue to do so

the law, and if you don't make a right judicial system

too thing within the framework of the law that we have

provided we are just continuing to run on the

we are trying to do so, so I think it is not right

to say --- if we want to eliminate it, we must

that these who are in the field and I think

field and we are in a position of having to

they are not being answered. There is a problem

other than being critical of what is being done

this morning, I think we should get on with it and we



1 they don't have to just talk to this fellow and knowing
2 that the boy is going to thumb his nose at you. Say
3 "Okay, if you want to do anything, go ahead and do it,
4 meanwhile give me eighteen months, and I'll have my
5 first million and I'll go to Florida for the rest of
6 my life."

7 MR. LAWRENCE: Yes. That is the point I am
8 making too.

9 At the moment these people are thumbing
10 their noses. I mean there are terrible abuses still
11 in existence in the mortgage business.

12 THE CHAIRMAN: We are making a great deal
13 of headway, though.

14 MR. LAWRENCE: They are --- they certainly are.

15 THE CHAIRMAN: No. We are making a great
16 deal of headway.

17 MR. LAWRENCE: --- we are sitting here
18 presumably.

19 THE CHAIRMAN: --- dealing these activities,
20 which none of us like or want to be perpetuated.

21 MR. LAWRENCE: My only point is, and I think
22 I have made it, is that I feel the present way in which
23 this Act is being administered still leaves open great
24 abuses.

25 And that is why we are sitting here.

26 THE CHAIRMAN: That's right.

27 MR. LAWRENCE: And that's why we are here
28 talking about these things at the moment.

29 THE CHAIRMAN: We are all interested in the --
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

1 MR. LAWRENCE: --- should be on the

2 disclosure, correcting these abuses in any way that
3 we can.

4 THE CHAIRMAN:

Are there any other questions, gentlemen?

8 THE CHAIRMAN: Will you speak up a little bit?

9 MR. WHITE: These abuses that I am
10 listening to this morning --- can't they emanate from
11 the large centres of population, not from the rural
12 areas; is that correct?

13 MR. SIMONE: Oh, you can't generalize
14 that way. When the Act first came in force one area
15 of the abuse was in the rural areas where the people
16 were less knowledgeable and their mortgage money was
17 harder to come by, and it was all done from centres
18 like Toronto. I wouldn't say that that applied at all
19 now. It is --- yet on second thought I don't ---
20 there are what we call shysters in Sudbury, in the Soo,
21 in Ottawa --- they are in principal centres -- you won't
22 find them in Pembroke or Wasaga.

23 MR. MacDONALD: Fort Francis?

24 MR. SIMONE:
---(Ribald laughter) Or Fort Francis. But they
25 do swarm to large towns. Indeed they do.

26 THE CHAIRMAN: Any other questions now?

27 MR. WHITE: Well, I wasn't clear if you
28 answered my question or not. Would it be a further
29 protection for the mortgagor if he could back out
30 within 24 or 48 hours after signing ----

MR. WATSON: -- should be on the

Are there any other questions, gentlemen?

THE CHAIRMAN: Will you speak up a little bit?

MR. WATSON: There seems that I am

listening to this recording -- aren't they answers two

the large number of repetition, not from the same

answer; is that correct?

MR. WATSON: Yes, you can't separate

that way. When the first came in those one area

of the above was in the same area where the people

were less knowledgeable and didn't know money was

harder to come by, and it was all done from within

the country. I wouldn't say that was applied at all

now. It is -- yes on second thought I don't --

there are what we call centers in England, in the U.S.

in Ottawa -- they are the principal centers -- you would

find them in London or New York.

MR. WATSON: Yes, I would

---(Silence)---

do seem to have found. I must find it.

THE CHAIRMAN: Any other questions now?

MR. WATSON: Well, I would like to know

answered by question to the

production of the



1 MR. SIMONE: I think that would be one
2 of the best protections we could offer him. Give him a
3 enough ---

4 MR. WHITE: Is there any reason why this
5 legislation couldn't require that?

6 MR. SIMONE: I would be delighted,
7 because this is the area where he is getting caught now.
8 He doesn't shop around, you see, and if he would get
9 the information and have time to study it. You see
10 what happened, even though we introduced the statement
11 of mortgage form --- the mortgage broker was presenting
12 the statement of mortgage form initially, at the
13 same time he presented the mortgage document, so he
14 nullified the whole intent in our statement of
15 mortgage form. Then he goes further by circumventing
16 it with this application.

17 MR. MacDONALD: I am now reminded of another point I
18 curious in getting clarified when Mr. Lawrence was
19 querying you. You say when a person makes application
20 then he is --- he assumes certain commitments, that
21 he is likely going to be stuck with, unless he gets
22 a lawyer and goes over it in order to get clear of it,
23 but then you said that when the trust company or
24 whatever organization it is begins to examine
25 as to whether or not they want to loan it --- do I
26 assume correctly that once the applicant has signed
27 this, he is stuck, but the potential lender still has the
28 discretion to come to the conclusion that this person
29 is not a fit person and he doesn't need to loan to him?

30 MR. SIMONE: It is all loaded against



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100



1 the borrower.

2 MR. LAWRENCE: Well, this is ----
3 it is no different than a real estate --- or any other
4 offer.

5 MR. SIMONE: No, it isn't, really.

6 I mean ---

7 MR. SIMONE: I was startled about three
8 years ago when I was made Registrar of this Act to
9 find out that the lender doesn't advance until he
10 registers the mortgage on title.

11 How else could he do it?

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30



it is no different than a real estate --- or any other

offer.

I mean ---

years ago when I was made Registrar of this for to

find out how the lower house & revenue would be

regulate the mortgage on time.

How else could we do it?



9/25/RPS 1 But the average borrower doesn't know that. This gives
2 the broker the opportunity to go out and shop around.
3 He gets the mortgage signed, and then he says: If I
4 have got a thousand dollar bonus I can peddle it.
5 On top of that, he is taking his brokerage fees. So,
6 if he has to peddle the mortgage at a thousand dollar
7 discount, he is still going to get his brokerage fees,
8 so he has got that thousand dollars which to manoeuvre.

9
10 MR. LAWRENCE: The main criticism in the
11 second mortgage field is the bonus situation, more than
12 anything else. I mean these extra charges are the thing.
13 Unless you were talking about it earlier, I would like
14 to quote or hear some thoughts; some opinions from you
15 and from people in the Department regarding possibly
16 legislation in making loans without bonus.
17 I think this is the way that we can cure some of these
18 abuses in the
19 secondary mortgage field, so that the principal amount
20 as shown here mortgage is the actual amount advanced
21 and then this would simplify the whole interest rate.
22 I mean, I don't care if a person paid fifty per cent
23 interest rate, foolishly, as long as he knows he is
24 paying fifty per cent. This is the point. In some
25 cases this may be the only way a person can get this
26 secondary financing on. But,
27 so often this is one way to get around the Federal Interest
28 Act, presumably, is that they don't compute the other
29 charges; the bonuses; the discounts; the mortgage broker-
30 age commission; the fees and disbursements and everything



But the average borrower doesn't know that. This gives
the broker the opportunity to go out and shop around.
He gets the mortgage signed, and then he says: "I
have got a thousand dollar bonus I can peddle it."
On top of that, he is taking his mortgage fees. So,
if he has to peddle the mortgage at a thousand dollar
discount, he is still going to get his mortgage fees,
so he has got that thousand dollars which he can use.

MR. LAWRENCE: The main criticism in the

second mortgage field is the bonus situation, more than
anything else. I mean these extra charges are the thing.
Unless you were talking about it earlier, I would like
to quote or hear some thoughts; some opinions from you
and from people in the Department regarding possibly
legislation in making loans without bonus.

I think this is the way that we can come some of these
things in the

secondary mortgage field, so that the principal amount
as shown here mortgage to the actual amount advanced
and then this would slightly the whole interest rate.
I mean, I don't care if a person paid fifty per cent
interest rate, foolishly, as long as he knows he is
paying fifty per cent. This is the point. In some
cases this may be the only way a person can get this

secondary financing on



1 else all the way down the line. They don't include
2 these as property distributable in the principal and
3 interest section. I think this is one way that the
4 Department or the Departmental officials perhaps could
5 give guidance to the Committee on popular legislation
6 in this field.

7 MR. SIMONE: Mr. Lawrence, first of all,
8 the bonus, I understand is practical disappeared. The
9 only time you would see a bonus now is where a borrower
10 on a second mortgage has to pay 18 per cent. The broker
11 will suggest that the rate be reduced to seven or eight
12 or nine, and put the difference into the bonus, because
13 it makes it easier to sell the house. That is where
14 you see the bonus money.

15 What the shyster mortgage broker has always
16 done and is still doing -- he charges a ten per cent rate
17 on a five thousand dollar mortgage, or he might charge
18 a 20 per cent rate and he calls it an all-inclusive fee,
19 in which is buried the bonus. Now we are trying to get
20 him . . .

21 MR. LAWRENCE: No, I don't follow you there;
22 I am sorry.

23 MR. SIMONE: He, in effect, is taking the bonus.
24 He is going to peddle this mortgage, but he doesn't know how
25 much he is going to get for it. So he plays it safe.
26 If he would take -- I have seen on a five thousand dollar
27 mortgage -- here -- I will cite an actual case so that
28 we will know what we are talking about.

29 This broker is noted for charging an average
30 of 19 per cent on whether it is a first, second or



else all the way down the line. They don't include

these as property distributable in the principal and

Department or the Departmental officials perhaps could

give guidance to the Committee on popular legislation

in this field.

MR. STONER: Mr. Chairman, first of all,

the board, I understand is practically disappeared. The

only thing that would be a board is the board of directors

on a board of directors, as the board of directors is the

board of directors, and the board of directors is the

board of directors, and the board of directors is the

board of directors, and the board of directors is the

you see the board money.

What the speaker on this board has already

done and is still doing -- he charges a ten per cent rate

on a five thousand dollar mortgage, or he might charge

a 20 per cent rate and he sells in an all-inclusive fee,

in which he buried the bones. Now we are trying to get

MR. JACOBSON: No, I don't follow you now.

MR. STONER: He, in effect, is taking the board

which he is going to get for it. He has always to sell

if he would take -- I have seen on a five thousand dollar

mortgage -- here -- I will give an example case so that

we will know what we are talking about.



1 what have you, so I would probably say that one of the
2 worst examples would be . . .

3 This man borrowed fifteen hundred and one
4 dollars -- notice the one dollar above the small
5 loans limit -- he signed for twenty-three hundred and
6 fifty dollars. This is an actual deal, February the
7 21st, 1961. The mortgage was written at seven per cent for
8 three years; monthly payments \$35.00; balance owing at
9 maturity \$1,580.00. \$79.00 more than he received.

10 MR. LAWRENCE: Now let's get back to the amount
11 advanced and the amount indicated on the mortgage.

12 Now, I am old-fashioned enough to believe that
13 this is more popularly called a bonus. The difference
14 between what he received and the principal amount as shown
15 on the mortgage. Am I incorrect in that assumption?

16 MR. SIMONE: This man called it finance charges.
17 It came to \$849.00.

18 MR. LAWRENCE: Well, in effect whatever he has
19 called it, we can call it bonus. This is what it really
20 is, a bonus. Right?

21 MR. SIMONE: Well, apart . . .

22 MR. LAWRENCE: To give the man the
23 leverage to settle, naturally.

24 MR. SIMONE: Part of it was his fees. In that
25 eight forty-nine he pays out the legal costs and
26 disbursements.

27 MR. LAWRENCE: Yes.

28 MR. SIMONE: Do you see the manoeuvrability he
29 has got?

30 MR. LAWRENCE: Oh yes, but I mean when you say



1 what have you, as I would probably say that one of the

2 worst examples would be . . .

3 This man borrowed fifteen hundred and one

4 dollars -- notice the one dollar above the small

5 cents limit -- he signed for twenty three hundred and

6 fifty dollars. This is an actual case, because the

7 flat, 1901. The mortgage was written of seven per cent for

8 three years; monthly payments \$12.00; balance when ex-

9 actuary \$1,500.00. \$75.00 more than he received.

10 MR. LAWRENCE: Now let's get back to the amount

11 advanced and the amount indicated on the mortgage.

12 Now, I am old-fashioned enough to believe that

13 this is more properly called a loan. The difference

14 between what he received and the principal amount is shown

15 on the mortgage. Am I incorrect in that assumption?

16 MR. SIMON: This man agreed to borrow money.

17 It came to \$125.00.

18 MR. LAWRENCE: Well, in effect whatever he was

19 called it, we can call it bonds. This is what is really

20 a bond.

21 MR. SIMON: Well, yes.

22 MR. LAWRENCE: To give the new law

23 leverage to people, actually

24 MR. SIMON: Now of it was his idea to do

25 eight forty-nine he pays out the legal costs and

26 disbursements.

27

28 MR. SIMON: In you are not an attorney, are you?

29



1 you don't . . .

2 MR. SIMONE: The fellow is willing to pay this.

3 MR. LAWRENCE: This is particularly rampant
4 or common at the moment. What I have had to do with the
5 mortgage field these days, maybe because I am up here ---
6 I would say it is still quite common.

7 Now, ~~what~~ would you think at some attempt at
8 legislation -- I don't really know how it would be done,
9 myself, but

10 MR. SIMONE:

11 MR. LAWRENCE: In other words, making sure
12 that the principal amount as shown in the mortgage is
13 the amount that . . .

14 MR. REILLY: service basis
15 of two and a half or three per cent, whatever it may be
16 for service charge.

17 MR. LAWRENCE: Well, I don't know, I mean I
18 am wandering into unknown fields here. I mean shouldn't
19 our attention be directed along this line so that then
20 the true rate of interest is shown in the mortgage and
21 . . .

22 MR. SIMONE: Mr. Lawrence, if you don't pay
23 commission charges, and a man could charge what the
24 traffic will bear, he, in effect, is charging bonus.
25 We somehow have to cut this off.

26 The area is not so new. As someone suggested
27 yesterday, why don't we do as the real estate brokers
28 have done? When you list property, you know that the
29 fee is so much. If it is an exclusive listing, you know
30 its so much less. Why do these brokers have to charge?



CONFIDENTIAL

MR. LAWRENCE: This is particularly important
or common at the moment. What I have had to do with the
mortgage field these days, maybe because I am up here.
I would say it is still quite common.
Now, what would you think of some attempt at
legislation -- I don't really know how it would be made,
myself, but

MR. LAWRENCE: In other words, making sure
that the principal amount is shown in the mortgage in
the amount that . . .
MR. REIDY: service would
of two and a half or three per cent, whatever it may be
for service charge.

MR. LAWRENCE: Well, I don't know, I mean I
am wandering into a known field here. I mean certainly
our attention be directed along this line so that the
the true rate of interest is shown in the mortgage and

MR. SIMON: Mr. Lawrence, if you don't mind
commission charges, and a man would charge what the
little will bear. In effect, it should be borne.
We somehow have to cut down on it.
Yesterday, why don't we do as the real estate people
have done? When you have property, you know what the



1 I know why they charge anywhere from two per cent to ten
2 or fifteen -- it's to give them the manoeuvrability in
3 peddling the mortgage.

4 MR. LAWRENCE: So your recommendation, I would
5 gather then that this mortgage brokerage commission
6 be set by tariff.

7 MR. SIMONE: Right. And the price of these
8 possibly, although you can't there, because in a place
9 that might be 25 miles from Toronto, it might be a hundred
10 bucks.

11 MR. LAWRENCE: Yes. But I mean a real estate
12 agent, when he sells the property around Toronto, he might
13 he selling property in the downtown area right next to
14 his office, or he might be selling 25 miles away.

15 MR. SIMONE: That is right. That is the same
16 situation.

17 MR. LAWRENCE: Well, I think that is a very
18 worthy consideration, that we should -- or rather suggestion
19 that we should certainly take into consideration tariff
20 to the mortgage brokers. But there again, let's get back
21 to the bonus situation. Is there any way, or has your
22 Department given any consideration to research into this
23 question as far as specifying in the mortgage this the
24 principal amount as shown in mortgage is the amount actually
25 advanced?

26 MR. SIMONE: But, of course, we have to think
27 of all those things when we are revising the statement
28 of mortgage form. But, to be perfectly honest, we haven't
29 got the staff or the time to do any substantial research.

30 MR. LAWRENCE: Well to get back to my original



I know why they charge anywhere from two per cent to five

or fifteen -- it's to give them the marginability to

the margin.

MR. LAWRENCE: So your recommendation, I would

gather then that this mortgage brokerage commission

be set by tariff.

MR. SIMON: Right. And the price of those

possibly, although you can't think, because in a place

that might be 25 miles from Toronto, it might be a hundred

bucks.

MR. LAWRENCE: Now, but I mean a real estate

agent, when he sells the property around Toronto, he might

be selling property in one downtown area right next to

his office, or he might be selling 25 miles away.

MR. SIMON: That is right. That is the same

situation.

MR. LAWRENCE: Well, I think that is a very

worthy consideration, that we should -- or rather say that

that we should certainly take into consideration that

is the mortgage business. But there again, let's get back

to the home situation. Is there any way, or has your

Department given any consideration to research into this

question as far as existing in the mortgage, this the

principal amount as shown in mortgage is the amount of the

advance?

MR. SIMON: Now, of course, we have to take

all these things when we are making the statement

to the public. But, we do positively know, we haven't

got the facts on the time to do any substantial research.



1 premise that I think you are worrying too much about the
2 actual interest rate involved, and not enough on the
3 disclosure of the thing; I think this is the field of
4 endeavour that the legislation is certainly urging people
5 to start worrying about, and I don't think enough has
6 been done. I say that in all kindness.

7 THE CHAIRMAN: Gentlemen, the hour is getting
8 on and we have -- Mr. Simone has been here quite a long
9 time this morning. Are there any other questions?

10 Mr. Simone, you will be here tomorrow; is that
11 correct, I think you should be.

12 We have made a very valuable submission to the
13 Committee. We appreciate it very much, and I speak on
14 behalf of the Committee when I say that we were very
15 impressed with the way you are carrying out your respon-
16 sibilities and duties, as you have outlined here to us
17 this morning. Thank you very much.

18 MR. LAWRENCE: Mr. Chairman, I wonder if we
19 could perhaps hear from Mr. Simone later on as to some
20 thoughts based on his experience, or the experience of
21 the Department, on this field in regard to attempting
22 somehow or other to eliminate the bonus situation in
23 regard to secondary mortgages.

24 THE CHAIRMAN: You might take that under
25 advisement and at a later date you can enlighten the
26 Committee as to how we might go about bringing in some
27 legislation with some teeth in it, why we would be
28 very pleased to hear it.

29 Thank you very much. We now adjourn until 2:00
30 o'clock.



1 premise that I think you are worrying too much about the
2 actual information involved, and not enough about the
3 disclosure of the thing; I think this is the field of
4 endeavor that the legislation is certainly making people
5 to start worrying about, and I don't think enough has
6 been done. I say that in all honesty.

7 THE CHAIRMAN: Gentlemen, we stand in waiting
8 on and we have -- Mr. Simon has been here quite a long
9 time this morning. Are there any other questions
10 Mr. Simon, you will be the foremost in that
11 correct, I think you would be.

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100
101
102
103
104
105
106
107
108
109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196
197
198
199
200
201
202
203
204
205
206
207
208
209
210
211
212
213
214
215
216
217
218
219
220
221
222
223
224
225
226
227
228
229
230
231
232
233
234
235
236
237
238
239
240
241
242
243
244
245
246
247
248
249
250
251
252
253
254
255
256
257
258
259
260
261
262
263
264
265
266
267
268
269
270
271
272
273
274
275
276
277
278
279
280
281
282
283
284
285
286
287
288
289
290
291
292
293
294
295
296
297
298
299
300
301
302
303
304
305
306
307
308
309
310
311
312
313
314
315
316
317
318
319
320
321
322
323
324
325
326
327
328
329
330
331
332
333
334
335
336
337
338
339
340
341
342
343
344
345
346
347
348
349
350
351
352
353
354
355
356
357
358
359
360
361
362
363
364
365
366
367
368
369
370
371
372
373
374
375
376
377
378
379
380
381
382
383
384
385
386
387
388
389
390
391
392
393
394
395
396
397
398
399
400
401
402
403
404
405
406
407
408
409
410
411
412
413
414
415
416
417
418
419
420
421
422
423
424
425
426
427
428
429
430
431
432
433
434
435
436
437
438
439
440
441
442
443
444
445
446
447
448
449
450
451
452
453
454
455
456
457
458
459
460
461
462
463
464
465
466
467
468
469
470
471
472
473
474
475
476
477
478
479
480
481
482
483
484
485
486
487
488
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
510
511
512
513
514
515
516
517
518
519
520
521
522
523
524
525
526
527
528
529
530
531
532
533
534
535
536
537
538
539
540
541
542
543
544
545
546
547
548
549
550
551
552
553
554
555
556
557
558
559
560
561
562
563
564
565
566
567
568
569
570
571
572
573
574
575
576
577
578
579
580
581
582
583
584
585
586
587
588
589
590
591
592
593
594
595
596
597
598
599
600
601
602
603
604
605
606
607
608
609
610
611
612
613
614
615
616
617
618
619
620
621
622
623
624
625
626
627
628
629
630
631
632
633
634
635
636
637
638
639
640
641
642
643
644
645
646
647
648
649
650
651
652
653
654
655
656
657
658
659
660
661
662
663
664
665
666
667
668
669
670
671
672
673
674
675
676
677
678
679
680
681
682
683
684
685
686
687
688
689
690
691
692
693
694
695
696
697
698
699
700
701
702
703
704
705
706
707
708
709
710
711
712
713
714
715
716
717
718
719
720
721
722
723
724
725
726
727
728
729
730
731
732
733
734
735
736
737
738
739
740
741
742
743
744
745
746
747
748
749
750
751
752
753
754
755
756
757
758
759
760
761
762
763
764
765
766
767
768
769
770
771
772
773
774
775
776
777
778
779
780
781
782
783
784
785
786
787
788
789
790
791
792
793
794
795
796
797
798
799
800
801
802
803
804
805
806
807
808
809
810
811
812
813
814
815
816
817
818
819
820
821
822
823
824
825
826
827
828
829
830
831
832
833
834
835
836
837
838
839
840
841
842
843
844
845
846
847
848
849
850
851
852
853
854
855
856
857
858
859
860
861
862
863
864
865
866
867
868
869
870
871
872
873
874
875
876
877
878
879
880
881
882
883
884
885
886
887
888
889
890
891
892
893
894
895
896
897
898
899
900
901
902
903
904
905
906
907
908
909
910
911
912
913
914
915
916
917
918
919
920
921
922
923
924
925
926
927
928
929
930
931
932
933
934
935
936
937
938
939
940
941
942
943
944
945
946
947
948
949
950
951
952
953
954
955
956
957
958
959
960
961
962
963
964
965
966
967
968
969
970
971
972
973
974
975
976
977
978
979
980
981
982
983
984
985
986
987
988
989
990
991
992
993
994
995
996
997
998
999
1000

very pleased to hear it.
Thank you very much. We now adjourn at 12:00



1 ---ON RESUMING AT 2:00 P.M.

2

20/25/RS3

3 THE CHAIRMAN: The other members will be here
4 shortly.

5 You all have copies of the agenda, and we have
6 with us this afternoon Mr. John McCulloch, manager of the
7 Toronto branch of Central Mortgage and Housing Corporation.
8 Mr. McCulloch has made himself available, as the other
9 members did at very short notice. We appreciate very
10 much his taking the time to come here today and tell us
11 his story, and we would ask him now to proceed with his
12 presentation.

13 MR. McCULLOCH: Thank you very much, Mr. Chairman.

14 Mr. Chairman and gentlemen, I would like to
15 apologize for a very hastily assembled brief. It is not
16 in the form that we normally like to put things out of
17 Central Mortgage and Housing Corporation, but, it won't
18 surprise you to know, I am sure, that certain things
19 happening in the Parliament of Canada these days have
20 their affect on our organization, and this was the best
21 I could do on short notice.

22 Mr. Chairman, I think the bulk of your inquiries
23 will probably be in the field in which we are not active
24 in Central Mortgage and Housing Corporation. As you know,
25 our sole responsibility as a Crown corporation, a Federal
26 Crown corporation is to administer the National Housing
27 Act and the National Housing loan regulations which go with
28 that. We are active in the residential mortgage field
29 to a very large extent as I have mentioned somewhere in this
30 document. At the moment, something like one half of all



— THE EVENING STAR —

THE CHAIRMAN: The other members will be here

You all have copies of the agenda, and we have

with us this afternoon Mr. John McCulloch, manager of the

Toronto branch of General Mortgage and Housing Corporation

Mr. McCulloch has kindly volunteered to be the speaker

members did at very short notice. We appreciate very

much his taking the time to come here today and tell us

his story, and we would ask him now to proceed with his

MR. MCCULLOCH: Thank you very much, Mr. Chairman.

Mr. Chairman and members, I would like to

apologize for a very hastily assembled outfit. It is not

in the form that we normally like to see things out of

General Mortgage and Housing Corporation, but it was

surprise you to know, I am sure, that certain things

happening in the Parliament of Canada these days have

their effect on our organization, and with us the best

I could do on short notice.

MR. CHAIRMAN: I thank the bulk of your organization

will probably be in the field in this or are not active

in General Mortgage and Housing Corporation, is you know,

our active responsibility as a Crown corporation is to

administer the National Housing

Act and the National Housing Loan Act, and which is to

the National Housing Act, and which is to

the National Housing Act, and which is to



1 the houses, or all the residential accommodations which
2 are paid in Canada rely on the National Housing Act to
3 one extent or another.

4 In the operation of the National Housing Act,
5 we work very closely with the conventional lenders, the
6 life companies, the well-known major trust companies and,
7 although they are inactive at the moment, we are also
8 authorized to work in conjunction with the banks. The
9 banks are not active in the residential mortgage field
10 under the National Housing Act at the present moment,
11 because they are limited by another piece of legislation
12 to the extent of which they can levy interest, and we are
13 told their ability to enter the mortgage field stops when
14 the interest rate reaches six per cent. Currently, the
15 National Housing Act interest rate is six and a half;
16 although a recent announcement in the budget speech in
17 Ottawa indicated that this will, almost immediately, be
18 reduced to six and a quarter. I think, Mr. Chairman,
19 that many of your inquiries will be having regard to
20 the hidden costs, or the unrevealed charges, or the
21 rather strange methods of applying interest which can
22 take place, with respect to a loan; always perfectly
23 legal and not always perfectly ethical. In the field in
24 which we operate, we contend that our dealings are
25 completely ethical. Our doings are regulated by statute.
26 The facility which any of the managers of our corporation
27 enjoy, to depart very far from these regulations is not
28 great; and, we, of course, have to deal in them with
29 the most ethical fashion possible with the reputable
30 life insurance companies and trust companies and banks



1 with whom we deal.

2 I thought it might be useful to put in your
3 hands, in case you don't have it already, a copy of the
4 National Housing Act and the regulations. These regul-
5 ations are in the course of being amended as was announced
6 in the budget speech, and when they become law, undoubtedly,
7 the new loan levels and the other conditions will be
8 available to your Committee. If, at that time, there
9 is any reason why you wish to have any further applications
10 of any of these points, I would be at your disposal and
11 would be happy to come back.

12 In the folder which I have put into your hands,
13 I have on the lefthand side of the folder as it faces you,
14 put together a little summary of the policies and
15 procedures under which we act in Central Mortgage; and
16 on the righthand side, I have put together one or two
17 appendages, which may or may not serve to illustrate what
18 I am saying, but may be useful to you elsewhere in the
19 course of your inquiries.

20 If you are concurrent, Mr. Chairman, I would
21 like, briefly, not to read the seven or eight pages that
22 are on the lefthand side; I would propose that you do that
23 at your leisure -- I would like to quickly go through
24 the headings and tell you something of the content of
25 these paragraphs, and maybe as we do this, something will
26 catch your eye or the members of the Committee, Mr. Chair-
27 man, on which you might like to question me specifically.

28 THE CHAIRMAN: Would you prefer them to ask
29 the questions as . . .

30 MR. McCULLOCH: Yes, because you would know



I thought it might be useful to put in your hands, in case you don't have it already, a copy of the National Housing Act and the regulations. These regulations are in the course of being amended as was announced in the budget speech, and when they become law, naturally the new loan levels and the other provisions will be available to your Committee. At that time, however, is any reason why you wish to have any further explanation of any of those points. I would be at your disposal and would be happy to come back.

In the folder which I have put into your hands I have on the left-hand side of the folder as it faces you put together a little summary of the policies and procedures under which we act in Central Mortgage and on the right-hand side, I have put together one or two speeches, which may or may not serve to illustrate what I am saying, but may be useful to you elsewhere in the course of your inquiries.

If you are convenient, Mr. Chairman, I would like, briefly, not to read the report in front of you but are on the left-hand side. I would like to have you at your leisure -- I would like to discuss the various the activities and well your knowledge of the report in these paragraphs, and say to me do I have anything with each year one of the members of the Committee, Mr. Chairman, in which you might like to consult on the subject.

THE CHAIRMAN: I had you report to me on the



1 better than I what you want to bring up.

2 THE CHAIRMAN: Yes, I see.

3 MR. McCULLOCH: I have stated, of course, in
4 the opening paragraph there, that we are bound by
5 federal legislation, and that the government's housing
6 policy in paragraph 2 there is developed through the
7 Housing Acts and the various amendments which have taken
8 place since the original Dominion Housing Act of 1935.

9 Our present method of encouraging conventional
10 investment in residential mortgages is, to encourage the
11 lenders to make a higher loan than their normal business
12 prudence or their enthusiasm might warrant. The convention-
13 al lenders in the mortgage field normally lend somewhere
14 from 60 to 66 per cent of their appraised value of the
15 piece of property. Now, this means that a homeowner or
16 purchaser of a piece of property has to find equity,
17 something of the order of 35 per cent; and even on a
18 house costing \$10,000.00, if there were any such thing,
19 this would represent an equity of some \$3,500.00. And
20 on a \$15,000.00 house, something like \$5,200.00.

21 The conventional lenders have been encouraged
22 by the National Housing Act, over the years, to lend
23 an increasingly greater percentage of loan, until currently,
24 under the National Housing Act, loans are available which
25 amount to 95 per cent of the first \$12,000.00 of lending
26 value. In other words, \$11,400.00 mortgage for
27 \$12,000.00 property; and thereafter 70 per cent of each
28 additional \$1,000.00.

29 These levels are in process of change as was
30 announced in Ottawa, and will be raised fractionally, and



RECEIVED

...than I want you want to bring up.

THE CHAIRMAN: ...

MR. McULLOCH: I have heard of course, in

the opening paragraph there, that we are going to

Federal legislation, and that the Government's house,

policy in paragraph 2 there is developed through the

Housing Act and the various amendments which have been

place since the original National Housing Act of 1934.

Our present method of encouraging conventional

investment in residential mortgages is, to encourage the

lenders to make a higher loan than their normal business

prudence or their enthusiasm might warrant. The conventional

lenders in the mortgage field normally lend somewhere

from 60 to 65 per cent of their appraised value of the

piece of property. Now, this means that a conventional

purchaser of a piece of property has to find approximately

something of the order of 35 per cent; and even on a

house costing \$10,000.00, if there were any such thing,

this would represent an equity of some \$3,750.00 and

on a \$15,000.00 house, something like \$5,250.00.

The conventional lenders have been somewhat

by the National Housing Act, over the years, to make

an increasingly greater percentage of loans, nearly ninety

under the National Housing Act, loans are available which

amount to 90 per cent of the first \$12,000.00 of lending

value. In other words, \$11,000.00 mortgage for

\$12,000.00 property; and thereafter 70 per cent of each

additional \$1,000.00.

...level are in process of



1 from here on, we will be in the field of 95 per cent
2 of the first fifteen thousand, and 70 per cent of the
3 remainder of the lending value of a piece of property.

4 This, you see, has a very real effect on the
5 amount of equity in down payment which is required from
6 a borrower, and in simple figures; a house having a
7 lending value of \$15,000.00 now requires a down payment
8 under the National Housing Act of fractionally under
9 10 per cent of/or fractionally under \$1,500.00.

10 In order to encourage the lenders to participate
11 in this activity, the National Housing Act provides on
12 payment of a fairly nominal fee -- insurance fee.

13 The Federal Government, through Central Mortgage
14 and Housing Corporation undertakes to insure the
15 participating lending companies against loss on their
16 investment, and until 1958, we insured them against 98
17 per cent of their loss, and since 1958, they are insured
18 100 per cent against loss by foreclosure or default or
19 any other cause. The insurance fee which is charged
20 is two, or two and a half percent, depending on the circum-
21 stances of the amount of the loan made, and, in the case
22 of a \$10,000.00 mortgage would be \$250.00. This is not
23 required to be paid by the house purchaser in cash, but
24 is added to the loan and is recovered by us over the
25 terms of the mortgage. So, it has an insignificant effect
26 on the loan purchaser who is benefiting from these
27 higher loan levels.

28 MR. REILLY: Excuse me, is that added to the
29 95 per cent or included in the 95 per cent?

30 MR. McCULLOCH: No, it is added to the 95. The



From here on, we will be in the field of the new kind
of the first fifteen thousand, and 70 per cent of the
composition of the family will be of a kind of organization
under the National Housing Act of 1937, which
10 per cent of the family will be of a kind of organization
In order to encourage the family to participate
in this activity, the National Housing Act provides for
payment of a fairly nominal fee -- insurance fee.
The Federal Government, through General Motors
and Housing Corporation undertakes to insure the
investment, and until 1950, we insured them against 50
per cent of their loss, and since 1950, they are insured
100 per cent against loss of their investment or against
any other cause. The insurance fee which is charged
is two, or two and a half percent, depending on the amount
stances of the amount of the loan made, and in the case
of a \$10,000.00 mortgage would be \$250.00. This is not
regarded to be paid by the home purchaser in cash, but
is added to the loan and is recovered by us over the
terms of the mortgage. So, in fact, the home purchaser
on the loan purchaser who is borrowing from these
loan levels.
The fee, as we said, is added to the



1 loan is calculated first, sir, and the fee is added . . .

2 MR. REILLY: Yes.

3 MR. McCULLOCH: . . . on ten thousand dollars.

4 MR. REILLY: And amortized over the number of
5 years?

6 MR. McCULLOCH: And amortized over the term
7 of years, yes.

8 On a ten thousand dollar loan; ten thousand
9 dollar lending value would be a ninety-five hundred
10 dollar loan, to which we would add the insurance fee of
11 something like a hundred and ninety dollars, and the
12 loan then would become ninety-six hundred and ninety
13 dollars. So, it takes no added cash from the homeowner
14 to meet this insurance fee.

15 MR. REILLY: I was wondering, Mr. Chairman,
16 if these people knew they were paying for this insurance
17 service on this too?

18 MR. McCULLOCH: It is made very clear, Mr.
19 Chairman, in all the -- it is, of course, contained in
20 the National Housing Act, and the regulations itself,
21 and it is made abundantly clear in all literature which
22 is . . .

23 MR. REILLY: Well, it is actually regarded as
24 interest, is it not?

25 MR. McCULLOCH: I don't think, to be quite
26 honest, sir, that the average purchaser of the house really
27 cares . . .

28 MR. REILLY: Is that right?

29 MR. McCULLOCH: . . . what he is paying for at
30 the time he take the steps of buying a home. His main



is calculated first, and then the whole.

MR. McCULLOUGH: . . . on the thousand dollars.

MR. KELLEY: And entered over the number 10.

MR. McCULLOUGH: And entered over the sum.

of years, yes.

On a ten thousand dollar loan ten thousand

dollar lending value would be a ninety-five hundred
dollar loan, to which we would add the insurance fee of
something like a hundred and ninety dollars, and the
loan then would become ninety-five hundred and ninety
dollars. So, it takes no added cash from the borrower
to meet this insurance fee.

MR. KELLEY: I was wondering, Mr. Chairman,

MR. McCULLOUGH: It is made very clear, Mr.

Chairman, in all the -- all of course, contained
the National Housing Act, and the regulations issued
and it is made abundantly clear in all literature which

MR. KELLEY: Well, it is somewhat regarded as

MR. McCULLOUGH: I don't think it is



1 inquiries are what is the down payment and how much is it
2 per month, and we could count on one hand the number of
3 people who really care about the interest rate, and even
4 fewer of them care about the term of years; 25 or 30
5 years doesn't seem to matter -- everyone, we all think it.
6 Sure, always it is the same, we all expect that we will
7 have this house paid off long before the end of the
8 mortgage which, incidentally, is quite true because the
9 life of the average N.H.A. mortgage is only about 14
10 years.

11 On page 2, Mr. Chairman, in the middle of the
12 page, there is a small paragraph on rates of interest,
13 on which I have simply pointed out that our rates of
14 interest under the National Housing Act are related to
15 the government's long-term borrowing. By the National
16 Housing Act the rate of interest charged on N.H.A. loans
17 may not exceed the government's long-term borrowing rate
18 by more than two and a quarter per cent. I put in,
19 in the appendices at about Appendix C or nearby, a
20 very hastily prepared chart which shows the relationship
21 between government borrowing rate and a private corpor-
22 ation borrowing rate and the N.H.A. maximum loan or
23 current loan for the years since 1957. You will note
24 that currently our rate is about one and a quarter or
25 one and a half per cent above government's long-term
26 rate. The gap has been narrower, and the gap has been
27 wider, but it has never been up at statutory limitations.

28 In other words, we are passing on to borrowers,
29 under the National Housing Act, an interest rate which
30 is as close as prudence would dictate to the government's



1 own borrowing rate. This is in contrast to certain other
2 lenders; not conventional lenders, but some other people
3 -- some other interests active in the mortgage field who
4 take every advantage of fluctuations in short term interest
5 rate to levy their charges accordingly. This is a field
6 in which we are not primarily concerned.

7 The interest rate as stated in the National
8 Housing Act, Mr. Chairman, is a true interest rate. We
9 have tried to calculate the interest as do the conventional
10 lenders, on terms which are favourable in the extreme
11 to the mortgagor. There are no premiums or discounts
12 payable as considerations to the obtaining of the National
13 Housing Act. Infact, the Act itself, and the regulations
14 prohibit any such discounts of premiums and the borrower
15 of an N.H.A. loan, under an N.H.A. loan is not only
16 entitled to, but must receive 100 per cent of the proceeds
17 of the loan. This we police very diligently and the
18 cases where we are to take any action in such regard
19 are few and far between. We do not even permit the
20 fees of a real estate agent or a broker to be deducted
21 from the mortgage loan. If a builder employs an agent
22 or a broker, the fee is the responsibility of the builder.

23 Now, I know that this, in some way, finds its
24 way back as a cost against the purchaser, but it is not
25 as is the case in some forms of F.H.A. loans in the
26 United States is not permitted to be deducted from the
27 face value of the mortgage loan itself.

28 Also on page 2, Mr. Chairman, I made a brief
29 reference to what one would expect to find in a mortgage
30 deed; and I would point out that in our operation, the



1 mortgage document itself is prescribed by law. There is,
2 as your own counsel will tell you, from province to prov-
3 ince, and within any particular province; varying accord-
4 ing to the different systems of registration of documents
5 of deeds and titles and so on.

6 In the Province of Ontario we have two distinct
7 forms of title registration and therefore we have two
8 distinct forms of mortgage which are approved for use
9 by the lender under the National Housing Act, and then
10 the regulations, a copy of which is in the folder.
11 You will find there is a schedule B to the Housing Act,
12 an example of the form which is approved for use under
13 the lands and titles system in the Province of Ontario.

14 If you examine that document, you will find
15 that -- counsel will be able to advise you -- that it
16 is a clearly stated document and contains no ambiguities.
17 There are no hidden gimmicks. The face value of the
18 mortgage, the rate of interest, the method of calculating
19 the interest, the term of years, the monthly repayment,
20 the borrower's ability to repay partially or in full are
21 all clearly stated and there are no devices introduced
22 into these mortgages which can work to the detriment of
23 the borrower. The mortgage form is prescribed for use,
24 and the only change which may be made in it is that the
25 heading may be changed and may carry the
26 style and title of the participating company, instead of
27 being headed up as one of our forms, or as a form under
28 the National Housing Act. But, the content of the form
29 remains unchanged and is used by all lenders under the
30 National Housing Act.



mortgage document itself is prescribed by law. There is
as your own counsel will tell you, from province to prov-
ince, and within any particular province: varying accord-
ing to the different systems of registration of documents
of deeds and titles and so on.

In the Province of Ontario we have two distinct
systems of title registration and mortgage registration.

by the lender under the National Housing Act, and then
the registration, a copy of which is in the folder.

You will find there is a schedule B to the Housing Act,
an example of the form which is approved for use under
the lands and titles system in the Province of Ontario.
If you examine that document, you will find

that it is a clearly stated document and contains no ambiguities.
There are no hidden conditions. The title is clear of the

mortgage, the name of interest, the nature of the mortgage,
the interest, the term of years, the monthly payment,

the amount of the loan, the date of the loan, the date of the

into these mortgages which can work to the detriment of
the borrower. The mortgage form is prescribed by law,
and the only change which can be made to it is that the

reading may be changed and may carry the

style and title of the particular company, instead of

being headed up as one of our forms, or as a form under

the National Housing Act, the form is the same in all



1 We have not a single case on record, Mr. Chairman,
2 where in any foreclosure -- there have not been many.
3 But, we have got no single case on record where the
4 lack of clarity or ambiguity of our mortgage document
5 has been challenged at law.

6 On page 3, I deal very briefly with borrower's
7 equity; that is the balance that the borrower must find
8 after he has obtained a loan. The National Housing Act
9 requires that, or provides certain limits of loan which
10 automatically require the borrower's equity. The lenders
11 are required by the regulations to ensure that this is
12 true equity and comes from the borrower's own resources,
13 and at least 5 per cent of the required equity must be
14 in cash or by labour put into the construction of the
15 house. This is very uncommon in our Metropolitan Toronto
16 area here, and we find it a little bit in the Prairies
17 and a little bit in British Columbia, but in Ontario
18 and certainly not in Metropolitan Toronto is it possible
19 for a person to convince a builder that he should put
20 any of his own labour into the construction.

21 Equity is almost exclusively a cash requirement
22 in the area in which we deal locally. The lenders are
23 required to satisfy themselves that this is true cash
24 from the borrower's own resources. And where there is
25 secondary financing, the secondary financing must be
26 disclosed and must be in acceptable form of secondary
27 financing before it will be approved. And where it is
28 approved, the repayment terms of the second refinancing
29 will be taken into consideration in determining the
30 borrower's ability to repay the loan. I have mentioned



1 this in the following paragraph:

2 This matter of requiring a borrower to have
3 a cash equity in a house is a point which is debated at some
4 length by people. There are some people who contend that
5 there is merit in the "no down payment" system. There
6 are those of use who don't believe this. We believe that
7 a homeowner who has a pride of ownership and a proprietary
8 interest in his own property is more likely to remain
9 a homeowner and more likely to stay out of default than
10 one who is able to acquire a home by the "no down payment"
11 technique; because he is virtually renting and all the
12 incentives to continued ownership are about. The
13 experience of our counterparts in the United States would
14 seem to suggest that the "no down payment" policy has
15 no place in the residential field. It doesn't seem to
16 matter how small the gap is that even a 5 per cent equity
17 means something, that a person has a stake in his property
18 which gives him a greater incentive to keep his account
19 clear and so on -- to do repairs and to establish himself.
20 Even a marginal 5 per cent interest is better; infinitely
21 better than none.

22 THE CHAIRMAN: You feel the purchaser always
23 should have some equity?

24 MR. McCULLOCH: We feel very strongly that
25 the purchaser should have some equity.

26 MR. LAWRENCE: Before he came to that stage,
27 Mr. Chairman, under the ability to repay; the second
28 sentence in the second paragraph, they show that studies
29 show that to provide basic shelter, such ratio should
30 not exceed 27 per cent of the borrower's income. Are they



1 still using this as a guide at 27 per cent?

2 MR. McCULLOCH: We have only moved up to
3 27 per cent, Mr. Chairman, in recent years. But, for a
4 good many years we went along at about 23 per cent.
5 This question of determining how much a man can pay for
6 shelter is again a difficult one. We, in Canada, have
7 come up with figures a few years ago of about 22 or 23
8 per cent. Again, our friends in the United States and
9 in the United Kingdom had a figure within a half of one
10 per cent or one per cent of the same amount. They
11 arrived at their figure a little differently from us.
12 We arrived at ours by the deduction basis of considering
13 what are all the other charities that a person has on
14 him for consumer credit amongst other things, clothing,
15 food, heat, education, new car every year -- all these
16 things, and figured out how much would he have left
17 or should he have left or could he have left to provide
18 basic shelter for himself. And by our approach, we came
19 down to a figure of about 23 per cent which was accepted
20 for many years. Now, incomes have increased. Using
21 this residual income basis, I mean, what does a man do
22 with what he has left over after he has paid for his
23 shelter? If his income is gone up, then he obviously has
24 more left over, and we feel that maybe he doesn't need
25 quite so much left over so that we have raised our
26 percentage which we think a man might safely pay for
27 shelter to 27 per cent, or, in an extreme case, we have ap-
28 proved in the last year or two on the strong recommendation
29 of the lenders, the odd case as high as 30 per cent.
30 This might apply in the case, let us say of a young professional



still making this as a guide at 27 per cent.

MR. McULLOUGH: We have only moved up to

27 per cent, Mr. Chairman, in recent years. But, for a

good many years we went along at about 25 per cent.

This question of determining how much a man can pay for

real estate is a very difficult one. It is a question of

come up with figures a few years ago at about 25 per cent.

per cent. Again, our friends in the United States and

in the United Kingdom had a license within a half of one

per cent or one per cent of the same amount. They

estimated the license figure at 25 per cent. It was

the average of what the market would bear. It was

not the same as the license figure. It was the average

of what the market would bear. It was the average

of what the market would bear. It was the average

things, and figured out how much would be paid for

or should he have left or could he have left to provide

basic shelter for himself. And by our approach, we come

down to a figure of about 28 per cent which was accepted

for many years. Now, incomes have increased. Housing

this rental income basis, I mean, what does a man do

with what he has left over after he has paid for his

shelter? If his income is enough, then he obviously has

more left over, and we feel that maybe he should have

percentage which we think a man might safely pay for

shelter at 27 per cent, or, in an extreme case, we have

found that the market will bear 27 per cent. It is

the same figure, the same figure, the same figure.



1 man who has every prospect of a noticeable increase in
2 income over a few years.

3 : Is that income after tax?

4 MR. McCULLOCH: No, this is gross income --
5 gross income before tax.

6 We police the maximum ratio of 27 per cent;
7 give or take one or two per cent quite carefully. The
8 onus is on the lender -- conventional lender to examine
9 this aspect. But, we scrutinize each loan that is made,
10 each borrower that is presented to us quite carefully,
11 and frequently we return the applications to these
12 lenders for them to conduct additional inquiries, partic-
13 ularly where we have any reason to believe or suppose
14 that there is something other than cash equity, or where
15 there is some secondary financing involved. Our experience
16 is quite broad in this regard, and we know some areas
17 where encouragement is given to the borrowers not to
18 allow the fact that they don't happen to have any cash.
19 To tell them that there have been cases where the builders,
20 some of the larger builders have also been in the finance
21 company business, and it hasn't been uncommon for builders
22 to be able to direct their potential purchasers to a
23 friendly finance corporation who will assist them in the
24 matter of their down payment. These outlets are fairly
25 well-known to us now, and we try to keep a very watchful
26 eye on them.

27 THE CHAIRMAN: What percentage of applicants
28 would be turned down?

29 MR. McCULLOCH: It would be a very small
30 percentage, Mr. Chairman. I wouldn't know it offhand as



1 a percentage, but it would be -- it would be very small
2 in this particular area, because the shopping public
3 shopping for housing accommodation in this area usually
4 has a fairly substantial salary. Salary is not now the
5 deterrent that it used to be. It is the savings on the
6 accumulation of the adequate down payment. That is the
7 problem.

8 The purchasers of new residential units now;
9 once they have got over the hurdle of down payment and
10 so on don't -- we don't often find them in difficulties
11 with respect to their ability to repay. An example
12 I have given you -- for a \$15,000.00 house at six and
13 a quarter on a twenty-five year loan suggests that the
14 borrower would have to have about \$450.00 a month. While
15 this is quite high, quite a high monthly income, it is
16 not inordinately so. Now, when the shopping public --
17 the new residential units today seem to have incomes
18 in about that level and above, the average for the
19 National Housing Act -- of all purchases under the
20 National Housing Act last year was something close to
21 \$6,000.00 above \$5,800.00, so that we don't reject very
22 many people because of the salary requirement.

23 Now, Mr. Chairman, page 4 and on the following
24 pages, I have set out, and more or less for your own
25 background information -- I am sure that Mr. Sedgwick
26 can advise you on these -- a brief outline of the four
27 more common types of repayment plans used in the mortgage
28 business; the unamortized, which is almost extinct. The
29 unamortized type of mortgage loan is now only found in
30 the hands of a very few private lenders, and these are



in this particular area, because the shopping public
shopping for housing accommodations in this area usually
has a fairly successful salary. Salary is not now the
detriment that it used to be. It is the saving on the
recommendation of the adequate down payment. There is the

The purchase of new residential units must
once they have got over the hurdle of down payment
so on don't -- we don't offer kind of a satisfaction
with respect to their ability to pay. An example
I have given you -- for a \$15,000 house we can give

homeowner would have to have about \$50.00 a month. And
this is quite high, quite a high monthly income, and
not immediately so. Now, when the monthly payment is
the new residential units today seem to have income
in about that level and above, the average for the
National Housing Act -- of all purchases under the
National Housing Act last year was something of the
\$5,000.00 above \$5,000.00, so that we have a lot of
many people because of the salary requirement.

Now, Mr. Chairman, I have a few more questions
pages, I have set out, and some of them for your
background information -- I am sure that you will
can advise you on these -- a list of questions of the
more common types of payments, like rent, the amount
the amount of the down payment, the amount of the



1 the ones that don't come to the surface. It was this type
2 of loan which caused most of the difficulty in the '30's --
3 in the late '20's and the early '30's. This is a type
4 of amortization which does not require repayment of
5 principal. They are usually a mortgage for a short term,
6 five or ten years, and I am sure that some of these
7 gentlemen would remember them where only the interest
8 is required to be paid, and principal, if any, was only
9 permitted to be repaid in nominal amounts, with the result
10 that at the end of the five or ten year term, the balance
11 of the principal still remained outstanding and had to
12 be found in a lump sum by the borrower or re-amortized.
13 And as I say, this, in the conventional and ethical
14 mortgage practice today, this type of account has
15 disappeared although it does still appear in the secondary
16 and tertiary mortgage field. The second current type of
17 mortgage, and there are some of them around -- the
18 corporation still has a few of them; not many -- there
19 was a straight line amortization where the principal
20 was repaid in a fixed proportion of the total loan over
21 the term. A \$20,000.00 loan for a 20-year term would
22 require the repayment principal of a thousand dollars
23 per annum. The interest would be calculated on the
24 reducing balance. Therefore, the interest amount of
25 each payment would change, and so that each payment
26 differed from the previous one; although the principal
27 portion remained the same.

28 This was a complicated system to be used when it
29 became desirable to have repayments on a monthly basis.
30 We found, as many of you will recall, that repayments on



...and that didn't come to the amount. It was only a
of loan which caused most of the difficulty in the 1930's
in the late '20's and the early '30's. This is a type
of amortization which does not require repayment of
principal. They are usually a mortgage for a long term,
five or ten years, and I am sure that some of these
gentlemen would remember when were only the interest
is required to be paid, and principal, if any, was only
permitted to be repaid in nominal amounts, with the result
that at the end of the five or ten year term, the balance
of the principal still remained outstanding and had to
be found in a lump sum by the borrower or his estate.
And as I say, this, in the conventional and ethical
mortgage practice today, this type of account has
disappeared although it does still appear in the secondary
and tertiary mortgage field. The second class type of
mortgage, and there are some of them around -- the
amortization still has a few of them; not many -- but
was a straight line amortization where the principal
was repaid in a fixed proportion of the total loan over
the term of the loan. The interest would be calculated on the
reducing balance. Therefore, the interest amount of
each payment would change, and so that each payment
differed from the previous one; although the principal
portion remained the same.
This was a complicated system to be used and
because desirable to have repayments on a monthly basis.



1 a quarterly or semi-annual basis had a tendency to lead
2 the borrower into trouble. It is very difficult to meet
3 a semi-annual mortgage payment on the 30th of June when
4 you have more pressures, to buy yourself a boat and
5 go off on summer vacation. So that all mortgages now,
6 are conventional mortgages written on a monthly term and
7 straight-line type of amortization where every monthly
8 payment would have been different from the one before it
9 -- did not lend itself to modern accounting practice
10 and is virtually non-existent now and is not easily found.

11 The two most common types which remain are
12 the table amortized loans, which is the one which is
13 in most common use, where the calculation is made in
14 such a fashion that the principal reduces in proportion
15 to each payment, and the interest depreciates as a
16 portion of each payment over the life of the mortgage.
17 It is possible, then, to set these figures up in the
18 form of a table; and so long as the borrower maintains
19 his repayment schedule, the accounting is a simple matter,
20 because you simply enter a table for whatever payment
21 is being made, and you find then the breakdown as between
22 principal and interest. The advantages from an account-
23 ing standpoint is, that each monthly payment remains
24 the same, although the breakdown of it varies, and I
25 put in one of the appendices a sample page from a six
26 per cent, 25-year mortgage, which will show -- give an
27 example of how each monthly payment per thousand dollars
28 is broken down. This is the most common type of mortgage
29 account still in use; although, with the introduction
30 of data processing equipment, there is a tendency to depart



1 a quarterly or semi-annual basis (if a tendency to rise
2 the borrower face trouble. It is very difficult to
3 a semi-annual mortgage payment on the part of the
4 you have more pressure, to pay yourself a cost and
5 go off on summer vacation. So that all mortgages are
6 are conventional mortgages written on a monthly basis
7 straight-line type of amortization which is very simple
8 payment would have been different from the one that is
9 -- did not lend itself to making an amortizing plan
10 and is virtually non-amortizable now and is not really
11 The two most common types which remain are
12 the table amortized loans, which is the one which is
13 in most common use, where the amortization is made in
14 such a fashion that the principal remains in proportion
15 to each payment, and the interest, deposited as a
16 portion of each payment over the life of the mortgage.
17 It is possible, then, to set these things up in the
18 form of a table; and so far as the borrower is concerned
19 his repayment schedule, the schedule is a set figure
20 because you simply enter a table for whatever payment
21 is being made, and you find then the principal and interest
22 principal and interest, the amortization and the balance
23 ing standpoint is that each month's payment is the
24 the same, although the proportion of it which is
25 put in one of the appendices a simple table is
26 per cent. 55-year mortgage, which will show a
27 example of how each monthly payment can be broken
28 is broken down. This is the way in which the
29 account will in fact, although with the 55-year



1 from it and to go on to the fourth type of account which
2 I have described here as a flat rate account. This account
3 now is -- this type of accounting is now followed 100
4 per cent by our corporation, and most loans which we
5 make on a direct basis, and it is gradually being taken
6 over by some of the larger life companies. Those who
7 are installing computers and data processing equipment
8 find that the flat rate type of account lends itself
9 admirably to that portion of their business. The flat
10 rate account is set up very simple -- simply provides
11 that the initial loan is set up in the account as a debit;
12 the borrower is credited with every payment he makes
13 as of the date he makes it, and he is debited with every
14 payment that is made on his behalf -- taxes, insurance --
15 whatever that might be as of the date it is made on
16 his behalf. And, he is credited ~~with~~ interest for every
17 day for every payment he makes, and he is debited with
18 interest for every day for every payment that is made
19 on his behalf. So, the result is, that the borrower
20 who pays promptly, or pays in advance, or pays an
21 additional amount has no difficulty at all. He simply
22 saves himself interest as of that date. If he is
23 late in sending in a monthly payment, he incurs extra
24 interest as of that date.

25 The accounting is very simple and lends itself
26 very well to mechanical process and it is. . .

27 MR. SEDGWICK: Does he pay the same amount
28 every month?

29 MR. McCULLOCH: He pays the same amount every
30 month, Mr. Sedgwick.



176
1 MR. SEDGWICK: And it is broken up then?

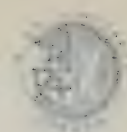
2 MR. McCULLOCH: It doesn't have to be broken
3 up in the flat rate type of account. It is a first in -
4 first out kind of thing. If the original debit is a
5 thousand dollars, and the man is to pay a hundred dollars
6 a month and he pays a hundred dollars on the first of
7 every month, at the end of ten months, he will be clear.
8 It is simple arithmetic.

9 If he is late one day, then he pays a little
10 extra day's interest on that thousand dollars until he
11 has made his payment. If we pay taxes on his behalf,
12 it is debited to his account. It is virtually the same
13 as the banks do with savings accounts, but they only
14 debit and credit on a quarterly basis. This is merely
15 a debit and credit on a daily basis, and I have put in,
16 towards the back of the file somewhere, an example of
17 a flat rate account. It is on the back of one of our
18 forms. It's a very simple accounting procedure, but it
19 is a very difficult, apparently difficult procedure for
20 some of our legal friends to understand and on a statement
21 of claim form which we use frequently, we find that we
22 have had to print an example on the back of it for the
23 lawyers.

24 MR. SEDGWICK: Lawyers are not very clever.

25 MR. McCULLOCH: For the benefit of our legal
26 friends, Mr. Sedgwick.

27 Mr. Chairman, I think that is virtually all
28 that I have put in here. As I said at the outset, our
29 business, we think, is an ethical one. We have no
30 occasion or no desire to fail to disclose any of the



And it is a fact that

MR. MONTGOMERY: It doesn't seem to me that

up in the first part of the year, it is a fact that

first one kind of thing. It is a fact that

thousand dollars, and the way is to pay a hundred

a month and he pays a hundred dollars on the first

every month, at the end of the month, he will have

It is a simple arithmetic.

It is the fact that, when he pays a hundred

extra day's interest on that hundred dollar, he will

has made his payment. It is a fact that, when he

it is added to his account. It is a fact that, when

as the bank do with savings accounts, and then

debit and credit on a quarterly basis. It is a fact

a debit and credit on a daily basis, and I think

towards the bank of one dollar a month, and then

a first year account. It is a fact that, when

forms. It is a very simple way of doing business.

to a very difficult, and it is a fact that, when

some of our legal friends are talking about the

of claim form which we are required to fill out

have had to print an example of the form, and then

lawyers.

MR. MONTGOMERY: But the question is, what

MR. GASTON: I think it is a fact that

that I have put in before. At the end of the year, it

business is a fact, as an example of the



1 aspects of our business and if you, or any of your
2 members, Mr. Chairman, have any questions now or
3 would care to direct any to me, either by correspondence or
4 later in your hearings, I would be very happy to attempt
5 to answer them.

6 MR. REILLY: Mr. Chairman, do I understand that
7 on this, the second, third and fourth types of the three
8 that are used now and that the purchaser has the option?

9 MR. McCULLOCH: No, the purchaser doesn't have
10 any option.

11 MR. REILLY: He doesn't?

12 MR. McCULLOCH: No. The purchaser-- the mort-
13 gages, now, generally are written in such a way that
14 either the table amortization or the flat rate type of
15 account are applicable.

16 MR. REILLY: Just from the point of interest,
17 will you lend 95 per cent up to 12 or now 13 thousand
18 dollars?

19 MR. McCULLOCH: Up to thirteen thousand.

20 MR. REILLY: and
21 70 per cent, is it for any amount of the balance? 70
22 per cent -- any ceiling on the balance?

23 MR. McCULLOCH: Yes, there is a ceiling.

24 Mr. Chairman, I would like to tell you what
25 the new ceilings are going to be. They are up substantially
26 from the ones written in the copy of the regulations
27 which you have. The maximum loan which was available
28 for an apartment unit -- this is per suite in an apartment
29 -- has until now been \$8,750.00 per suite. This is
30 going up when the regulations are changed by Order in



1 aspects of our business and it will be of great

2 importance, Mr. Chairman, have you had some time on

3 would care to direct any to me, either by correspondence or

4 later in your hearing, I would be very happy to

5 to answer them.

6 MR. WATKINS: Mr. Chairman, do I understand

7 on this, the second, third and fourth items of the

8 that are used now and that the proposed has the same

9

10 any question.

11 MR. KELLY: No doesn't.

12 MR. McCULLOUGH: No. The proposed -- and

13 bases, now, generally are written in such a way that

14 either the table summarization of the facts would

15 amount are applicable.

16 MR. KELLY: Just from the point of view of

17 will you find 50 per cent up to 12 or 15 in the

18

19 MR. McCULLOUGH: Is the highest instance.

20 MR. WATKINS:

21 50 per cent, is it not an average of the data and

22 per cent -- any ceiling on the data?

23 MR. McCULLOUGH: Yes, there is a ceiling.

24

25 the new collins are given to me, I am not sure

26 from the area within is not the only one

27 which you have. The material from which you have

28 for an agreement with -- from the data which you have

29 -- has until now been 50, 75, 100 per cent

30 before we have the negotiations and so on.



1 Council, maybe this afternoon. This is going up to
2 \$12,000.00 per unit. Now, this will have the effect,
3 we hope, in some of the larger centres such as Toronto
4 and Montreal, of tending to bring some of this dense
5 apartment construction closer to the centre of the City.
6 There is a tendency, at the moment, for these apartment
7 developments to be finding their way out to the outskirts,
8 because the value of land is now so high and the zoning
9 requirements in some cases so strict that in order to
10 construct apartments under the National Housing Act, where
11 the loan level has been at a level substantially below,
12 what the conventional lender has been able to make,
13 we have found that National Housing Act loans for apart-
14 ment units are not being made close to the centre of
15 our City, so we have not -- in Toronto, we have not
16 been asked to participate in an apartment loan within
17 the boundary, I would think of Lansdowne and St. Clair
18 and Parliament Street for several years now. But, we
19 have been asked to participate in 20-storey buildings
20 at Steeles and Bathurst out in the pastures out on the
21 extreme limits of the Metropolitan Toronto area.

22 MR. REILLY: You think this is a realistic
23 figure, \$12,000.00?

24 MR. McCULLOCH: It is much more realistic than
25 \$8,750.00. It may be a little overly gentle, but . . .

26 MR. SEDGEWICK: Out of town your basic land
27 values are up. \$2,500.00 is it, or more?

28 MR. McCULLOCH: Yes.

29 MR. IRWIN:

30 MR. McCULLOCH: It is more than that.



Council, maybe this afternoon. This is going up to

we hope, in some of the larger centres such as Toronto

and Montreal, of tending to bring some of this money

apartment construction closer to the centre of the city.

There is a tendency, at the moment, for these apartment

developments to be finding their way out to the outskirts

because the value of land is now so high and the housing

requirements in some cases as stated that in order to

construct apartments under the National Housing Act, where

the loan level has been at a level substantially below

what the conventional lender has been able to make.

we have found that National Housing Act loans for apart-

ment units are not being made close to the centre of

our city, so we have not -- in Toronto, we have not

been asked to participate in an apartment loan within

the boundary, I would think of Lansdowne and St. Clair

and Parliament Street for several years now. But, we

have been asked to participate in 20-story buildings

at Steeles and Batawa out to the eastward out to the

extreme limits of the Metropolitan Toronto area.

MR. REILLY: You think this is a realistic

figure, \$12,000.00?

MR. McCULLOCH: It is much more realistic than

\$8,750.00. It may be a little overly gentle, but

MR. STEWART: Out of town your basic land

values are up. \$2,500.00 is it, or more?

MR. McCULLOCH: Yes.



1 MR. SEDGEWICK: More than that.

2

3 MR. McCULLOCH: It would be more than that.

4 MR. IRWIN: With \$8,700.00 you left nothing
5 for the apartment.

6 MR. McCULLOCH: No, we didn't get anything . . .

7 Mind you, the conventional lenders didn't go very much
8 higher, and we were only about \$750.00 but

9 but \$750.00 in a hundred suites per building is a lot
10 of money, so that we hope that one of the bi-products
11 of this increase in loan amounts which are available
12 for apartments may be for us to get an acceleration of
13 the N.H.A. participation. This is not the only reason
14 for it, not even the prime reason for it, but this should
15 be one of the bi-products of it.

16 MR. REILLY : What equity would be
17 necessary in a case like this by the builder?

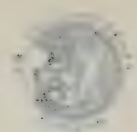
18 MR. McCULLOCH: Well, he would have to have
19 a fifteen per cent equity, because the rental loans have
20 a maximum of 85 per cent of value, so that he would have
21 to have fifteen per cent equity.

22 MR. SEDGEWICK: This is our
23 trouble with the legal business with our insurance fund.
24 How is your fund?

25 MR. McCULLOCH: Ours is very solvent and if this
26 machine wasn't working, I would tell you it is maybe
27 embarrassingly healthy.

28 MR. IRWIN : And you would reduce your rates?

29 MR. McCULLOCH: This is for someone other than
30 the Administrator of the National Housing Act to decide.



and the same time...

MR. McQUEEN: It would be more than that.

MR. IRWIN: With \$6,000.00 you left nothing

for the apartment.

MR. McQUEEN: I am sure you will find...

First, you have a very good location...

of course, and the apartment is very nice...

and I think it is a very good investment...

because, as you say, it is a very good...

investment, and I think it is a very good...

for apartments may be for us to get an appreciation of

the N.F.A. participation. This is not the only reason

for it, not even the prime reason for it, but it is

one of the products of it.

MR. REILLY: What equity would be

necessary in a case like this by the building?

MR. McQUEEN: Well, as I said, we have

a fifteen per cent equity, because the building is a

maximum of 85 per cent in value, so that we would have

the same amount of equity as if we had a

building that was 100 per cent in value.

Now, if you have a building that is 100 per cent in value,

how is your equity?

MR. McQUEEN: Oh, in very many ways, and in this

machine would be working. It would be in the machine

representing equity.

MR. IRWIN: And you would produce a very good

MR. McQUEEN: Yes, in the same way as

the National Housing Act, to be



1 MR. IRWIN: Mr. Chairman, just on that one point
2 of the insurance reminds me to ask: Is it not so that the
3 insurance premium is deducted before the proceeds are paid
4 out? I think I understood you to say that nothing is
5 deducted from the principal amount.

6 MR. McCULLOCH: The insurance --

7 MR. IRWIN: Is withheld.

8 MR. McCULLOCH: The proceeds of the mortgage are
9 -- the insurance premium is withheld, but it is really
10 withheld from that portion which normally winds its way
11 into the hands of the builder. You see, the builder is
12 the person who really benefits from the mortgage loan.
13 The only thing the borrower ends up with is the loan;
14 the repayment liability.

15 MR. IRWIN: I just wanted to make that clear.

16 MR. McCULLOCH: No. We retain the face value
17 of the insurance factor for the insurance fund -- the
18 fund builds up immediately.

19 MR. IRWIN : On a loan of \$12,750.00 which
20 is one of your illustrations, which the eventual buyer
21 of the house assumes, two hundred and fifty of that
22 was retained.

23 MR. McCULLOCH: That would be retained, yes.

24 : To return to this other
25 gentleman's question, the maximum loan on a single family
26 unit or on a semi-detached unit has until recently been
27 \$14,900.00 for each unit containing four more bedrooms,
28 and \$14,200.00 for each unit. This is loan -- this is
29 not lending value -- this is not value, this is loan.
30 \$14,200.00 for each unit of three bedrooms or less. The



MR. IRWIN: I just wanted to ask you if you

insurance premium as deducted before the proceeds are paid

say I think I understood you to say that included in

MR. McULLOUGH: The proceeds of the mortgage are

MR. McULLOUGH: The proceeds of the mortgage are

-- the insurance premium is withheld, but it is really

withheld from that portion which normally would be paid

into the hands of the builder. Now, the building is

the person who really benefits from the mortgage loan.

The only thing the borrower ends up with is the loan.

MR. IRWIN: I just wanted to ask you if you

MR. McULLOUGH: No. We receive the proceeds of the

of the insurance factor for the loan and then we

fund builds up immediately.

MR. IRWIN: On a loan of \$12,000, would you

is one of your illustrations which has been given to

of the house assumes, two hundred and fifty of that

was returned.

MR. McULLOUGH: That would be correct.

to return the loan.

payments is deducted, the amount paid to a third party

with or on a semi-annual basis and with interest there

\$14,000.00 for each year until the loan is paid off.

and \$14,200.00 for each year. There is a small amount

of interest on the loan.



1 ceiling on all of these is being raised \$15,600.00. This
2 means that we will now be able to make maximum loans under
3 The Housing Act on houses selling at up to about \$17,800.00
4 at which point the borrower would require an equity of
5 something like \$2,200.00, and \$2,200.00 on seventeen-eight
6 is not unduly onerous..

7 MR. IRWIN: I would just like to ask another
8 question, Mr. McCulloch. Your schedule C on the righthand
9 side is a graph giving rates of interest described as
10 government incorporation and compared to N.H.A. maximums.
11 What rates of interest does the government graph represent
12 and the incorporation.

13 MR. McCULLOCH: Well, the "corp" there,
14 unfortunately, I should have clarified this -- maybe you
15 could mark it on for yourself. That
16 is not Central Mortgage and Housing Corporation. This
17 is normal corporate loans.

18 MR. IRWIN: That I assumed, that it was corporate,
19 but it wouldn't be -- the line would not, surely, represent
20 the rate of conventional mortgages

21 MR. McCULLOCH: No, no. This is the rate by
22 which private corporations are borrowing through debentures
23 and other forms of borrowing. They are
24
25 borrowing at about half of one per cent higher than the
26 government.

27 MR. IRWIN: It just seems to me that possibly
28 if the information were available to you, it would be
29 of some more significance to the Chairman and the members
30 of the Committee if somebody would produce a wavy line



1 on all of these is being raised \$15,000.00. This
2 means that we will now be able to make maximum loans under
3 The Housing Act on houses selling at up to about \$15,000.00
4 at which point the borrower would require an extra 10% of
5 something like \$2,500.00, and \$2,500.00 on average, and
6 is not unduly onerous.

7 MR. IRWIN: I would have like to ask another
8 question, Mr. McCulloch. Your schedule C on the right-hand
9 side is a graph giving rates of interest described as
10 government incorporation and compared to W.H.A. maximum.
11 What rates of interest does the government graph represent
12 and the corporation.

13 MR. MCCULLOCH: Well, the "corp" there,
14 unfortunately, I should have clarified this -- where you
15 could mark it on for yourself. That
16 is not General Mortgage and Housing Corporation. That
17 is normal corporate loans.

18 MR. IRWIN: That I was not, but it was corporate.
19 But it wouldn't be -- the line would not, actually, represent
20 the rate of conventional mortgages.
21 MR. MCCULLOCH: No, no. That is the rate for
22 which private corporations are borrowing money, and
23 and other forms of borrowing. They are

24 MR. IRWIN: It just seems to me that the line



1 showing the rate of interest on mortgages, from convention-
2 al sources, could then compare with the N.H.A. rates.

3 MR. McCULLOCH: Well, from purely conventional
4 sources, Mr. Chairman, the rate has not varied over the
5 years at all. The conventional lender on their direct
6 business -- on two houses side by side; one with an
7 N.H.A. loan; one with a conventional -- the rate varies
8 from three-eighths to a half of one per cent above the
9 N.H.A. rate. But if the N.H.A. rate moves down, theirs
10 invariably moves down. If the N.H.A. rate moves up, theirs
11 invariably moves up. A good rule of thumb is that the
12 conventional lenders get above a half of one per cent,
13 this information is available and I can send it to you.
14 Currently, when we were at six and three-quarters until
15 a year or so ago -- a year past November, the prime rate
16 for the lenders like Sun Life, Prudential and these
17 people; Metropolitan is seven and a quarter. When the
18 N.H.A. rate came down, they moved down to six and a half
19 and they moved down to seven. While we were still at
20 six and a half a few weeks ago, there were indications
21 that they were moving down ahead of us, and their prime
22 rate -- the really prime rate was only fractionally above
23 ours. In fact, we did hear of one of two loans being made
24 in the Toronto area here by the conventional lenders at
25 six and a half. So, the gap had narrowed, but the inform-
26 ation in the last few days is that they are going to stay
27 pat on their conventional interest rates, notwithstanding
28 the quarter drop in the N.H.A. rate. We will now go to
29 six and a quarter -- they will stay, presumably, at six
30 and three quarters.



1 showing the rate of interest on mortgages, from convention
2 of mortgage would then compare with the N.H.A. rates.
3 MR. McGUIRE: Well, from purely conventional
4 sources, Mr. Chairman, the rate has not varied over the
5 years at all. The conventional lender on their part
6 business - on two houses side by side; one with an
7 N.H.A. loan; one with a conventional -- the rate varies
8 from three-eighths to a half of one per cent above the
9 N.H.A. rate. But in the N.H.A. rate moves down, the
10 conventional moves down. If the N.H.A. rate moves up, the
11 conventional moves up. A good rule of thumb would be
12 conventional lenders get above a half of one per cent
13 this information is available and I can send
14 for the lenders like Sun Life, Prudential and others
15 people; Metropolitan is never and a quarter. When the
16 N.H.A. rate goes down, they move down to six and a half
17 and they moved down to seven. Well, we would all
18 six and a half a few years ago, I think it was
19 then they were moving down to six and a half
20 rate -- the really prime rate was the fraction of one
21 over. In fact, we did have a rate of one and a half
22 in the Toronto area here in the conventional market
23 six and a half. So the gap was narrowed. But the
24 action in the last few years in the conventional market
25 put on their conventional in fact, they were
26 the quarter drop in the N.H.A. rate. We did have
27 the rate --



1 MR. IRWIN:

2 MR. McCULLOCH: For prime months.

3 MR. IRWIN: Yes, for prime -- I was just going
4 to say, would it be fair to say that while the conventional
5 rate on prime mortgage security is from, or has been from
6 three quarters of one per cent above the N.H.A. rate,
7 nonetheless it would fluctuate by a quarter of one per
8 cent. For instance, if you had a graph of the prime
9 rate of conventional mortgages, it wouldn't advance in
10 straight lines such as yours does.

11 MR. McCULLOCH: No it wouldn't, it would. . .

12 MR. IRWIN: It would fluctuate then, I would
13 think, half a per cent within that range because . . .

14 MR. McCULLOCH: I would be surprised if it would
15 be that much . . .

16 MR. IRWIN: It would be interesting to see . . .

17 MR. McCULLOCH: In the first mortgage operations,
18 I would be surprised if the fluctuation was really dis-
19 cernible underneath this heavy black line. It would
20 be a very small tremor I would think. But, this can be

21
22 MR. IRWIN: I grant you that it would not be
23 great, but I have observed from lending institutions with
24 which I am connected that they; while your rate is stated
25 as six and a half, they have gone as high as seven and a
26 quarter and . . .

27 MR. McCULLOCH: Oh yes, and they will go as
28 high as seven and a half if they are going -- if they are
29 taking anything a little chancy or . . .

30 MR. IRWIN: Well, I still feel that . . .



MR. IRWIN:

to say, would it be fair to say that while the
... prime mortgage ...
... three quarters of one per cent ...
... it would ...
... For instance, if you ...
... rate of conventional mortgage ...
... several times as much ...

MR. MCGILL: ...

MR. IRWIN: ...

think, half a per cent ...

MR. MCGILL: ...

... that much ...

MR. IRWIN: ...

MR. MCGILL: ...

... would be ...

... mortgage ...

... very small ...

...

MR. IRWIN: ...

... but I have ...

... I am ...

... as six ...

... and ...

...

MR. MCGILL: ...

... eight ...

...

MR. IRWIN: ...



1 MR. McCULLOCH: Well, last week we we survey
2 these -- we have an economist at my branch of my office
3 here. He surveys the assembling of the conventional lenders
4 every month. They are not always too outspoken in what
5 they tell us. They like to keep some of their business
6 to themselves. But, the indications are that their
7 primary was softening a little bit in recent . . .

8 MR. IRWIN: Well, that is . . .

9 MR. McCULLOCH: I think that is all I have
10 to report to you. I think that is all I have to report.

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

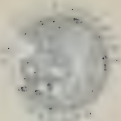
26

27

28

29

30



are. He surveys the surrounding of the conventional lands
every month. They are not always too captured in what
they tell us. They like to keep some of their land
to themselves. But, the Indians are not their
primary was suffering a little bit in recent .

MR. LINTIN: Well, what is .



23/SS

1 MR. McCULLOCH: I think that is all I have
2 to present to you, Mr. Chairman, unless there is
3 anything ---

4 MR. NODEN: Have any of these resulted in
5 repossessions?

6 MR. McCULLOCH: I am always hesitant to
7 give figures off the cuff when I should have had them
8 with me, but I haven't. I will see, Mr. Chairman,
9 that you get a statement of the experience in the
10 National Housing Corporations on repossessions ---

11
12 To answer this gentleman here, the experience
13 is negligible. We have some very soft spots, we have
14 heavy mortgage, N.H.A. mortgage portfolio in Elliott
15 Lake and in Kitimat in British Columbia, where almost
16 all of the houses that were put together in these
17 two highly-specialized towns had some N.H.A. participation.
18 As a result of this, at Elliott Lake we have had
19 something like 600 repossessions --- not foreclosures
20 in every case. We had abandonments and
21 people mailing the keys to us and thanking us for
22 the use of the premises while they were in it and so
23 on, but nevertheless this has resulted in several
24 hundred vacancies in Elliott Lake.

25 MR. SEDGEWICK: Didn't some of the companies
26 guarantee the Elliott Lake loans?

27 MR. McCULLOCH: Some of them did, and some
28 of them are still on the --- under these ---

29 MR. SEDGEWICK: Yes, I ---
30 and I think he guaranteed some loans.



to present to you, Mr. Chairman, unless there is

MR. HOLMES: Have any of these resulted in

responsibilities?

MR. MONTGOMERY: I am always hesitant to

give figures off the cuff when I should have had them

with me, but I haven't. I will see, Mr. Chairman,

and you get a statement of the experience in the

National Housing Corporation on responsibilities --

to answer this gentleman here, the experience

is negligible. We have some very soft spots, we have

heavy mortgages, N.H.A. mortgage portfolio in Illinois

Lake and in Illinois in British Columbia, where almost

all of the houses that were put together in these

two highly-specialized towns had some N.H.A. participation

As a result of this, at Elliott Lake we have had

something like 600 responsibilities -- not responsibilities

in every case. We had abandonment and

people mailing the keys to us and thanking us for

the use of the premises while they were in it and so

on, but nevertheless this was resulting in several

hundred vacancies in Elliott Lake.

MR. SPOFFORD: Didn't some of the companies

guarantee the Elliott Lake loans?

MR. MONTGOMERY: Some of them did, and some

of them are still on the -- some there --

MR. SPOFFORD: Yes, I --

and I think he guaranteed some loans.



1 MR. McCULLOCH: Yes. But the original owners
2 have departed and the guarantee has been implemented;
3 if there has been another guarantee between the mining
4 company and the corporation, then it is still
5 running in some cases, or in some cases it has been
6 paid off on a negotiated settlement. But, nevertheless,
7 there are many hundreds of houses in these two centres,
8 and they represent the bulk of the reposessions under
9 The National Housing Act. There are soft spots --- we
10 have something like 70 houses in the Newmarket area,
11 and almost all of which have been resold or are
12 rented by us. These have been --- these are now
13 assets of the Mortgage Insurance Fund. The reason
14 there was simply one that people who bought these
15 houses in Newmarket reacted to advertising and
16 selling campaigns and got good value in the houses ---
17 very good value in the houses, but they found that
18 this business of commuting from Newmarket to Toronto,
19 and the other things that go with living at that
20 distance from the centre of employment adds costs
21 which are all out of proportion to their living costs,
22 and many people again left the Newmarket area to
23 move back into Toronto who were not in any trouble
24 with their mortgage payments. In fact, there are
25 many of them who ---

26 MR. NODEN: What happens if a man has, oh,
27 for instance, amortized on the basis of 25 years
28 or 30 --- say, 25 years, and made his payments for 20
29 years or 15 years and he comes on hard times and he
30 can't continue to make his payments, how do you deal with it?



MR. MONTGOMERY: Yes. But the original owners

if there has been another guarantee between the selling company and the corporation, then it is all right. It is running in some cases, or in some cases it has been paid off on a negotiated settlement. But, nevertheless, there are many hundreds of houses in these two cities, and they represent the bulk of the residential market. The National Housing Act, which was passed in 1934, have something like 70 houses in the Newmarket area, and almost all of which have been sold or are rented by us. These have been -- there are now assets of the Mortgage Insurance Fund. The reason there was simply one that people who bought these houses in Newmarket wanted to sell them and selling campaigns and good value in the market -- very good value in the market, but they found that this business of converting from Newmarket to New York and the other things that go on in living at the distance from the center of employment and cost which are all out of proportion to their living costs, and many people again into the Newmarket area to move back into Toronto who were not in any way connected with their mortgage payments. In fact, there are many of them who --

MR. MONTGOMERY: What happens if a man buys a

for instance, amortized on the basis of 20 years or 30 -- say, 25 years, and make his payment for 20 years or 15 years and he comes on back twice and he can't continue to make his payments -- how do you



1 MR. McCULLOCH: There is --- we are obliged--
2 we have no alternative. That is certainly my
3 experience in the post-war years, to know what we would
4 do in these circumstances, because apart from the
5 Elliott Lake and the Kitimat which are a little bit,
6 but they are not like normal overall depression,
7 which might suggest a moratorium. We haven't had this
8 experience, but our present policy is to be --- I was
9 going to say rough, but that is not the word --- to be
10 quite conscientious in our collection efforts, and we
11 proceed to take foreclosure where this is indicated.
12 We have no way at the moment of considering this kind
13 of thing that you have asked about. Certainly we
14 just haven't had these depressed area problems to
15 face up to. The question of a moratorium, I mean,
16 there isn't --- it is doubtful that we would ever
17 have again the conditions which did prevail in the
18 residential mortgage field in the days of the depression,
19 because of the type of mortgage procedures we have
20 and the fact that we now collect taxes as a portion
21 of the monthly payment. This was one of the big
22 weaknesses in the previous arrangement, was the
23 question of the payment of taxes. More people lost
24 their properties for default in municipal property
25 taxes than did through default on their mortgage
26 payments per se. We haven't had the experience in
27 recent years.

28 MR. McDONALD: Supposing you drew up a
29 contract in a case like the Newmarket one, where it is
30 sort of isolated local conditions, not comparable to



MR. McQUINN: There is -- we are obliged --

... have no alternative. It is certainly my
 experience in the past few years, to know what we would
 do in these circumstances, because apart from the
 Elliott Lake and the Kitchener which are a little bit
 but they are not like normal one and all depression.
 which might suggest a moratorium. We haven't had this
 experience, but our present policy is to be -- I was
 going to say rough, but that is not the word -- to be
 quite conscientious in our collection efforts, and we
 proceed to take foreclosures where this is indicated.
 We have no way at the moment of transferring this kind
 of thing that you have asked about. Certainly we
 just haven't had these depressed areas problems to
 face up to. The question of a moratorium, I mean,
 there isn't -- it is doubtful that we would even
 have seen the conditions which did prevail in the
 residential mortgage field in the days of the depression
 because of the type of mortgage procedures we have
 and the fact that we now collect taxes as a portion
 of the monthly payment. This was one of the big
 weaknesses in the previous arrangement, was the
 question of the payment of taxes. More people lost
 their properties for default in municipal property
 taxes than did through default on their mortgage
 payments per se. We haven't had the experience in

MR. McQUINN: Supposing you drew up a
 moratorium in some of the new market ones, where it is
 not indicated that it is a moratorium --



1 Elliott Lake. Can they reclaim a certain equity, or
2 is the trend that

3 MR. McCULLOCH: No, the --- but since we --
4 follow invariably --- a foreclosure action, which
5 means the loss of equity to the purchaser.

6 MR. SEDGEWICK: There are some of these that
7 sell if you can find a buyer.

8 MR. McCULLOCH: Oh, yes, and we encourage
9 them and we --- give them every help they can. The
10 last thing in the world we want is another repossessed
11 house.

12 MR. SEDGEWICK: Yes. So that if there is a
13 substantial equity they have an opportunity to conserve
14 it?

15 MR. McCULLOCH: Yes, absolutely.

16
17 Yes, we are not at all anxious to do that. Our
18 business is to put people in houses, not to put them
19 out of them, and before we proceed with the foreclosure action
20 ~~and~~ one of our borrowers or borrow through one
21 of the lending companies, and particularly in the case
22 of the banks, because the banks have a big foreclosure
23 of these mortgages. The customer is certainly given
24 extreme consideration and assistance before we would
25 proceed to foreclose. The banks, particularly are horrified
26 at the thought of
27 foreclosing against the customer.

28 MR. REILLY: Mr. Chairman, does Mr. McCulloch
29 mean the Department would refinance any of these mortgages
30 at all when they drop from six and three-quarters to



Ellicott Lake. Can they receive a certain equity, or

is the trend that

MR. McCULLOUGH: No, the --- but since we --

means the loss of equity to the purchaser.

MR. SEIDENWITZ: There are some of these that

all at you can find a buyer.

MR. McCULLOUGH: Oh, yes, and we encourage

them and we give them every help they can. The

last thing in the world we want is another newspaper

house.

MR. SEIDENWITZ: Yes. So that if there is a

substantial equity they have an opportunity to conserve

it?

MR. McCULLOUGH: Yes, absolutely.

Yes, we are not at all anxious to do that. Our

business is to put people in houses, not to put them

out of them, and before we proceed with the foreclosure

of one of our borrowers or borrow through one

of the leading companies, and particularly in the case

of the banks, because the banks have a big foreclosure

of these mortgages. The creditor is certainly given

extreme consideration and assistance before we really

proceed to foreclose. The banks, particularly and especially

at the thought of

foreclosing against the borrower.

MR. KELLEY: Mr. Chairman, does Mr. McCullough

mean the Board must not receive any of these mortgages



1 six and a half to six and a quarter? Do you ever
2 renegotiate loans?

3 MR. McCULLOCH: The only time we are able
4 to --- at a time like this when the interest rate is
5 changing. We are able to give any loans which have
6 not been registered, which have been approved but have
7 not been registered. We are able to give them the
8 benefit of recasting at the lower rate if the lending
9 company wishes to do it. In the case of foreclosures
10 where we become the owners of the property, we apply
11 precisely the same terms as the lender. We do take
12 no advantage of our position at all. Now, the loans ---
13 financing that we offer on a repossessed unit under the
14 mortgage insurance fund is precisely the same as
15 the original terms on a new unit. This is a little
16 stifling to us, because we are offering used goods on
17 the same terms as somebody else is offering new goods.
18 But nevertheless, this is part of the principle and
19 we do not deflate our price whatever the market value
20 is of the foreclosed unit, we are obligated either to
21 get this price for it or to rent it. The result is that
22 in Newmarket the majority of the repossessed houses
23 and Aurora and other places, Bay Ridges --- these units
24 are substantially rented.

25 MR. IRWIN: Mr. McCulloch, in your Appendix F,
26 I would like to ask a question. The left-hand side --
27 is the lending value of the house; is this necessarily
28 and always equated to the asking-selling price on the
29 part of the builder? Like, you state the lending
30 value is \$10,000. Is this necessarily that the house



negotiate loans?

MR. MONTGOMERY: The only time we are able to --- at a time like this when the interest rate is changing. We are able to give any loans which have not been registered, which have been approved but have not been registered. We are able to give them the benefit of re-issuing at the lower rate in the interim company wishes to do so. In the case of some companies where we become the owners of the property, we might practically the same terms as the lender. We do take an advantage of our position as well. Now, the loans financing that we offer on a not assessed unit under the mortgage insurance fund is practically the same as the original terms on a new unit. This is a little stiffer to us, because we are offering used goods on the same terms as somewhat also in offering new goods. But nevertheless, this is part of the principle and we do not believe our price whatever the market value is of the property and we are willing to accept it at this price for it or to sell it. The market is not in Newmarket the majority of the properties are sold and known and other places, but houses -- these are also substantially correct.

MR. LAMAR: Mr. Montgomery, in your opinion I would like to ask a question. The fact that it is the lending value of the houses is the responsibility and always exposed to the market value of the part of the property. When you make the lending



1 is being sold for \$10,000, or some other figure.

2 MR. McCULLOCH: In this metropolitan area,
3 particularly, we are obliged to consider lending value
4 as being the lower of our appraised value or of the
5 builder's selling price. We must be careful. You may
6 have seen some publicity and some comments in the local
7 press around the turn of the year on this subject. We
8 feel that we must be careful to insure that our loan
9 is based on a reasonably sound premise and that we don't
10 provide facilities to the builder to mortgage out.
11 In other words, if we set a lending value of \$12,000.00
12 on a house that the builder could sell for \$11,000, it
13 would be wrong of us to lend to base our loan on \$12,000,
14 and give him more cash by way of mortgage than is
15 required to buy the house, so that in the larger areas
16 where we are reasonably close to the big builders, we
17 have their confidence and they have ours, we have a
18 very happy arrangement which enables us to insure
19 that our lending value and selling price stay fairly
20 close.

21 In other parts of the country there is a
22 tendency for our lending value to become selling price.
23 Many builders, unfortunately, across the country don't
24 appear to know what their houses cost, and they rely
25 on us to a certain extent to do their home-work for them.
26 We tell them that if they learn that the lending value
27 on their house in some small operation somewhere --- if
28 they learn that our appraisal of their house for
29 lending purposes is \$12,000.00, there is a tendency for
30 this to become the selling price. Frequently because



1. In the case of the 1930-31 season, the figures are as follows:

2. MR. McLELLAN: In the case of the 1930-31 season, the figures are as follows:

3. particularly, we are obliged to consider the fact that the

4. as being the lower of the two figures, and that the

5. building's selling price. We must be careful to note that

6. have seen some building and some houses in the local

7. press around the turn of the year on this subject. We

8. feel that we must be careful to include the fact that

9. is based on a reasonably sound basis, and that we must

10. provide facilities to the building to mortgage and

11. In other words, if we see a building value of \$1,000,000

12. on a house that the building could sell for \$1,000,000, it

13. would be wrong of us to lend the bank our loan of \$1,000,000

14. and give him more cash by way of mortgage than he

15. required to buy the house, or lend to the farmer a loan

16. where we are reasonably close to the building value. We

17. have their confidence and they have done so. We have

18. very happy arrangement which enables us to lend

19. that our lending value and selling price are very close.

20. close.

21. In other parts of the country there is a

22. tendency for our lending value to become selling price

23. Many builders, who are naturally anxious to get their

24. appear to know what their houses cost, and they sell

25. on us to a certain extent to do their house-work for them

26. we tell them that if they learn that the lending value

27. on their house in some small operation somewhere --- it

28. they learn that our appraisal of their house is

29. building value, and that we are not to be taken in

30. the building value, and that we are not to be taken in



1 the builders don't appear to know exactly what the
2 selling price of their own house should be --- the
3 market is not strong enough to dictate it for them.

4 MR. IRWIN: This is a surprising fact that
5 is true in some cases, but now there is one other
6 aspect of that. Oddly enough, I had to occasion to
7 observe that some people, some builders, are able to
8 mortgage out on apartment building, even if your \$8,750.00
9 figures -- not in Toronto, mind you.

10 MR. McCULLOCH: Now, we --- are conscious
11 of this ---- the ability to do this seems to hinge
12 mostly on the land transactions. We know, for instance,
13 for example, in North Toronto, North York, parcels
14 of land which are sitting and were originally contemplated
15 to be used for single-family dwellings. Because of
16 the growth of the city in that direction, have now
17 become important from the apartment or the maisonette
18 or the higher density use and we know of instances,
19 we know it is quite common for land to be sold without
20 any price being attached other than so much per suite
21 of the building that is eventually approved by Central
22 Mortgage, and if the value is, for example, \$1,000.00
23 per suite and the builder can convince us to make a
24 loan on a hundred units, then the price of the land
25 is \$100,000.00, but if we only go for eighty suites,
26 the price of the land is \$80,000.00, and it is in this
27 eighty area of land or land transactions that the
28 builder seems to have some ability to do things which
29 are a little beyond our control. We -- in these
30 instances we are satisfied so long as we have the



the business don't appear to know exactly what the
selling price of their own house would be -- the
market is not strong enough to drive it far there.
MR. IRWIN: This is a surprising fact that
is true in some cases, but now there is one other
aspect of that. Oddly enough, I had no occasion to
observe that some people, some business, and also to
mortgage out on apartment buildings, even in some \$1,500
figures -- not in Toronto, mind you.
MR. McGUIRE: Now we --- and commercial
of this --- the ability to do this seems to depend
mostly on the land transactions. We know, for instance,
for example, in North Toronto, North York, Ontario
of land which are sitting and were originally intended
to be used for single-family dwellings. Because of
the growth of the city in that direction, now they
become important from the standpoint of the municipality
or the higher density use and we know of instances
we know it is quite common for land to be sold without
any other kind of business and then to be used
of the building that is eventually approved by the
council. In all cases where the municipality is involved
for suite and the business and we know we have to
loan on a bonded note, then the price of the land
is \$100,000.00, but it is only for eight years.
The price of the land is \$20,000.00 and it is in that
eighty acres of land or land somewhere else and
building seems to have some ability to do things that
are a little beyond our control. We --- in some
instances we are surprised to find we have the



1 value in the final real estate to secure our loan
2 that we simply can't place or really should not expect
3 to get too closely into these private transactions.

4 MR. IRWIN: I have one other question I
5 would like to ask you. I was interested at your
6 comments earlier on that in response to Mr. Reilly's
7 question that the people were not interested in the
8 rate of interest. Is this true?

9 MR. McCULLOCH: Oh, absolutely, yes. Well,
10 despite the fact that we put pamphlets and all kinds
11 of information into the hands of potential borrowers.
12 Few, if any of them, have any clear idea of what the
13 going interest rate is. I venture if we stepped
14 outside the building and asked the first half dozen
15 people that we met what the going N.H.A. interest
16 rate was, they wouldn't know and probably wouldn't
17 care.

18 MR. IRWIN: To put that another way,
19 supposing you suddenly raised the rates to $8\frac{1}{2}\%$,
20 would they be interested then?

21 MR. McCULLOCH: I wouldn't ---

22 MR. SEDGEWICK: It raises the monthly payment.

23
24 MR. McCULLOCH: It would all depend.
25 If we did other things simultaneously, as we would
26 almost certainly have to do. If, for instance, you
27 have used an extreme example, but if we concurrently
28 said that we would go to a forty-year term, which had
29 the effect of keeping the down payment and the monthly
30 payment constant, I doubt if they would care.



that we simply can't place on really small and exact
to get too closely into these private transactions.

MR. LAMONT: I have one other question I

would like to ask you. I was interested in your

comments earlier on that in response to Mr. Halliday's

question that the people were not interested in the

rate of interest. Is this wrong?

MR. LAMONT: Yes, absolutely, yes, well,

despite the fact that we put ourselves and our minds

of information into the hands of potential borrowers

few, if any of them, have any clear idea of what the

going interest rate is. I venture if we stepped

outside the building and asked the first half dozen

people that we met what the going N.B.A. interest

rate was, they wouldn't know and probably wouldn't

care.

MR. LAMONT: Is that another way

supposing you suddenly raised the rate to 5%

would they be interested then?

MR. LAMONT: I wouldn't

MR. LAMONT: It raises the monthly payments

MR. LAMONT: It would all depend.

Is we did other things simultaneously, as we would

almost certainly have to do, for instance, we

have used an extreme example, but if we conducted

said that we would go to a four-year term when we

the effect of keeping the down payment and the monthly



1 THE CHAIRMAN: Doesn't that reflect the
2 confidence they had, though, in dealing with your
3 organization?

4 MR. McCULLOCH: I hope so, Mr. Chairman.

5 THE CHAIRMAN: I think it does. I think that
6 is the answer.

7 MR. McCULLOCH: Just in the immediate post-
8 war years, as you may know, we built something like
9 65,000 veterans' units for rental and in the years
10 following that again under pressure these were all
11 made available for purchase by the veterans, and I
12 in my term as manager in Vancouver, I personally sold
13 6,500 of these veterans' units, and offhand I can't
14 remember anyone asking me what the interest rate was.

15 MR. SEDGEWICK: How much does it cost?

16
17 MR. McCULLOCH: Now, what is the down
18 payment and how much a month, and occasionally a few
19 of them would ask how long they have to pay this.

20

21

22

23

24

25

26

27

28

29

30

* * * *

* * *

*

THE CHAIRMAN: Does that reflect the

confidence they had, though, in dealing with your

MR. MCOWEN: I hope so, Mr. Chairman.

THE CHAIRMAN: I think it does. I think that

MR. MCOWEN: Just in the immediate post-

war years, as you may know, we built something like

65,000 veterans' units for rental and in the years

following that again under pressure these were all

made available for purchase by the veterans, and I

in my term as manager in Vancouver, I personally sold

6,500 of these veterans' units, and offhand I can't

remember anyone asking me what the interest rate was.

MR. SEDGWICK: How much does it cost?

MR. MCOWEN: Now, what is the down

payment and how much a month, and occasionally a year

of them would ask how long they have to pay this.



24/25/RPS 1 and occasionally a few of them would ask how long they have
2 to pay this, and if you told them twenty years, they shrug
3 their shoulders and say "Well, I am not going to be in
4 the house 20 years anyway" and shrug it off. I suppose
5 there is some reflection -- poor reflection on our business
6 instincts --

7 MR. MacDONALD: But also, of course, wouldn't
8 they be comparing their monthly payments with what
9 would have to go out and pay for rental?

10 MR. McCULLOCH: Well, I wonder, sir, whether
11 they do, because I think part of your job on this
12 Committee, probably, is to inquire into this, but surely
13 the same people who do not inquire too much into
14 the rate of interest in an N.H.A. loan; do they inquire
15 any more into the rate of interest when they go to borrow
16 other kinds of money? My feeling is that

17 MR. MacDONALD: they don't.

18 MR. McCULLOCH: They don't.

19 MR. SEDGWICK: They were highly conscious of
20 it in the old days when interest came up quarterly or
21 half yearly, and representatives of the specific
22 companies thought they had to catch somebody.

23 But now, with mortgages amortized over the
24 period, I don't suppose they really care how
25 much money. --

26 MR. McCULLOCH: I think this is

27 MR. WHITE:

28
29 MR. McCULLOCH: Yes, I think this is correct.

30 MR. WHITE: If I may, Mr. Chairman, I think



occasionally a few of them would ask how long they have
y this, and if you told them twenty years, they would
the house 20 years anyway" and shunt it off. I suppose
there is some reflection -- poor reflection on our business
instincts --
MR. MACDONALD: But also, of course, wouldn't
they be comparing their monthly payments with what
would have to go out and pay for rentals?
MR. McCULLOUGH: Well, I wonder, sir, whether
they do, because I think part of your job on this
Committee, probably, is to indicate into this, but surely
the same people who do not indicate too much into
the rate of interest in an M.F.A. loan; do they indicate
any more into the rate of interest when they go to borrow
other kinds of money? My feeling is that . . .
MR. MACDONALD: . . . they don't.
MR. SADDLETON: They were highly conscious of
it in the old days when interest came up quarterly or
half yearly, and representatives of the specific
companies thought they had to catch somebody.
But now, with mortgages consolidated over the
period, I don't suppose they really care
much money --
MR. McCULLOUGH: I think this is . . .
MR. WHITE:



1 Mr. McCulloch used the phrase -- I think he told us that accept
2 ance of these N.H.A. mortgage applications
3 dependent on acceptable forms of secondary financing. I
4 am not clear on what is meant by that.

5 MR. McCULLOCH: Well, there is quite a lot of
6 paternalistic secondary financing available. We had an
7 example the other day of a manse for a minister. The
8 church minister, for instance, of a church here in
9 Toronto here decided that they would want to get a new
10 house for their minister, and they purchased an N.H.A.
11 house. They decided to get away from the business of
12 providing the minister with the house, but letting him
13 because a homeowner and provide his own house. They assisted
14 him with the down payment by way of this second mortgage.
15 Now, that is quite ethical. The interest rate was nominal,
16 the debt was nominal. Quite paternalistic, quite
17 acceptable, and the final debt service was well within
18 the minister's ability to repay, that kind of thing.
19 Funds borrowed on reasonable terms from parents or in
20 anticipation of some increase in the enrolment,
21 maybe an advance of a few hundred dollars from an employer
22 in anticipation of increased earnings, where the repayment
23 terms would not be onerous, this is acceptable.
24 But, we don't look with favour on; and please believe
25 me that I don't say this with any disrespect to the
26 industry, but we do not like to see secondary financing
27 coming from the commercial finance corporations, because
28 the terms of repayment, while legal, are high. And, when
29 added to the other first mortgage loan usually excludes
30 the borrower. We don't like to see the secondary financing



...of these W.A. mortgage applications
dependent on acceptable terms of secondary financing.
...not clear on what is meant by that.
MR. McCULLOUGH: Well, there is quite a lot of
statistical secondary financing available. We have
example the other day of a mortgage for a minister. When
church minister, for instance, of a church member in
Toronto here decided that they would want to get a new
house for their minister, and they purchased an M.H.A.
house. They decided to get away from the business of
providing the minister with the house, but leaving him
because a homeowner and provide him with a house. That is what
him with the down payment by way of this second mortgage.
Now, that is quite ethical. The interest rate was in line with
the debt was nominal. Quite extraordinary, quite
acceptable, and the final debt service was well within
the minister's ability to repay. That kind of thing.
Funds borrowed on reasonable terms from payment on in
anticipation of some increase in the value of the property.
maybe an advance of a few hundred dollars from an employer
in anticipation of increased secondary mortgage financing.
terms would not be onerous, this is acceptable.
But, we don't look with favour on that kind of thing.
...that I don't say this with any hesitancy to the
industry, but we do not like to see secondary financing
coming from the commercial financial institutions, because



1 coming from these sources. A short term accommodation
2 loan from a bank is frequently acceptable as a secondary
3 finance.

4 MR. WHITE: You used the word "cash".
5 You meant that the cash might have been obtained by the
6 purchaser through some kind of loan?

7 MR. McCULLOCH: Now, the first test that we like
8 to see, forming the basic records, we like to see some
9 evidence that the man has had this for some time in the
10 form of savings or bonds or -- that he hasn't gone out
11 to borrow the basic 5 per cent. But, having got the
12 basic 5 per cent, then if he needs to borrow a little bit
13 extra to get the balance of his equity; Provided this
14 is coming from a source where the repayment terms are
15 not onerous, then we recognize it.

16 MR. WHITE: Well I just have two other
17 questions, if I may carry on for just a minute, or
18 if you know. I don't know a lot about this,
19 but I suppose if N.H.A. mortgage loans were available on
20 older dwellings, that the second mortgage market that come to
21 know would be largely eliminated, would it not?

22 MR. McCULLOCH: I would think it would, provided
23 this Act provided an N.H.A. mortgage were available for
24 every piece of real estate that was up for sale. Again,
25 this is a matter for others and the administrators of the
26 National Housing Act to decide. This is a matter of
27 government policy. But, It is doubtful that we could
28 embark on any programme at this time which would enable
29 us to say that we would make a mortgage loan available
30 for every real estate transaction that took place.



1 can from a bank is frequently acceptable as a security

MR. WHITT: You used the word "cash".

2 You meant that the cash might have been obtained by the

3 purchaser through some kind of loan?

MR. McCULLOUGH: Now, the first test that we have

10 to borrow the basic 5 per cent. But, having got the

11 basic 5 per cent, then if he needs to borrow a little bit

12 extra to get the balance of his equity. Provided that

13 is coming from a source where the repayment terms are

14 not onerous, then we recognize it.

MR. WHITT: Well I just have two other

16 questions, if I may carry on for just a minute, or

17 if you know. I don't know a lot about this,

18 but I suppose if N.H.A. mortgage loans were available on

20 know would be largely eliminated, would it not?

MR. McCULLOUGH: I would think it would, provided

22 this Act provided an N.H.A. mortgage were available for

23 very piece of real estate that was up for sale. Again,

24 this is a matter for others and the administration of the

25 National Housing Act to decide. This is a matter of

26 Government policy. But, it is doubtful that we could

27 embark on any programme at this time which would enable

28 say that we would make a mortgage loan available



1 They have the total -- the total dollars that are involved
2 would be fantastic. The sales of the Toronto Real Estate
3 Board here, for instance; the amount of real estate money
4 that changes hands there is quite fantastic. And to say
5 that this wasn't coming from any other source, it would
6 all come from government sources or from insured mortgage
7 sources would be quite onerous, I think. I think there
8 would -- certainly, there is a need for some participation
9 in the used house field, but to what extent is . . .

10 MR. WHITE: Does the F.H.A. take in
11 older dwellings in the States?

12 MR. McCULLOCH: They do this, but with some
13 hesitation and they turn down a very high percentage of
14 the applications for one reason for another, a very high
15 percentage. They do it -- in fact, until a few years ago,
16 they would only do it where there was the sale of a new
17 house involved. They would only do it where a piece of
18 new real estate was involved.

19 MR. WHITE: Thank you.

20 MR. BUKATOR: Mr. Chairman, in connection
21 with second mortgages, I thought I would put up a little argument

as I did this morning pertaining to that two per cent per month which
23 I considered quite high, because I know the developers
24 in our area . . .

25 THE CHAIRMAN: Sorry, we can't hear you over
26 here.

27 MR. BUKATOR: I said that I know the develop-
28 ers in our area who had built homes on speculation have
29 taken a second mortgage on a conventional loan, and
30 have accepted just the interest only as seven per cent



1 They have the total -- the total dollars that are involved
2 would be fantastic. The sales of the Toronto Real Estate
3 Board here, for instance; the amount of real estate money
4 that changes hands there is quite fantastic. And to say
5 that this wasn't coming from any other source, it would
6 all come from government sources or from insured mortgages
7 sources would be quite enormous, I think. I think there
8 would -- certainly, there is a need for some participation
9 in some form of financing for the housing market.

10 MR. WHITE: Does the R.H.A. take in

11 older dwellings in the States?

12 MR. McCULLOUGH: They do this, but with some

13 hesitation and they turn down a very high percentage of
14 the applications for one reason or another, a very high
15 percentage. They do it -- in fact, until a few years ago
16 they would only do it where there was the sale of a new
17 house involved. They would only do it where a piece of
18 non-real estate was involved.

19 MR. WHITE: Thank you.

20 MR. BUKATOR: Mr. Chairman, in connection

21 with second mortgages, I thought I would put up a little
22 something pertaining to that two per cent per month which
23 I considered quite high, because I know the developers
24 in our area . . .

25 THE CHAIRMAN: Sorry, we can't hear you over

26 MR. BUKATOR: I said that I know the devel-



1 but no bonus -- or balloon at the end of the thing;
2 open to the purchaser to be paid when and if he has
3 any money. So, I can't understand the high rate of
4 interest when I know that these conditions exist in our
5 backyard where you have a second mortgage paying less
6 money than the first conventional at seven and a quarter.
7 He has a second mortgage at
8 seven per cent. And, if the man has it on your N.H.A.,
9 we often come across customers who don't have this full
10 down payment, because of the fact that they may need
11 some \$2,000.00. Possibly the builder or developer will
12 take that second mortgage at seven per cent in our
13 neighbourhood and let him pay it off when he can. We
14 have talked about it at the legislature, where there may
15 be a chance that the government would go into second
16 mortgages to assist these people with just the of
17 five per cent on a basis of some seven percent.
18 So, that gives a lot of work, but it is
19 seven per cent in our backyard.

20 THE CHAIRMAN: Any other questions?

21 MR. IRWIN: Well it doesn't come in my area
22 of questioning, but I thought it might be interesting
23 to get your views, because when you say, Mr. McCulloch,
24 that you review, I gather, the nature of the secondary
25 financing, and some of it you I would say at least don't
26 recommend, then you must have some opinions as to what
27 would represent excessive rate of interest or terms of
28 secondary financing which is certainly pertinent to the
29 inquiry we have here.

30 MR. McCULLOCH: Yes, well I think that we -- the



1 but no bonus -- on balance at the end of the thing;

2 open to the purchaser to be paid when and if he has

3 any money. So, I can't understand the high rate of

4 interest when I know that these conditions exist in our

5 country where the rate of interest is so low.

6 I think the rate of interest is so low because

7 we have a second mortgage at

8 seven per cent. And, if the man has it on mortgage, U.S.A.,

9 we often come across customers who don't have any. I think

10 down payment, because of the fact that they may need

11 some \$2,000.00. Possibly the builder or developer will

12 take that second mortgage at seven per cent in our

13 neighbourhood and let him pay it off when he can. We

14 have a rate of interest of 2 1/2 per cent in our

15 neighbourhood. I think the rate of interest is so low

16 because we have a second mortgage at 7 per cent.

17 I think the rate of interest is so low because

18 we have a second mortgage at 7 per cent. But it is

19 seven per cent in our backyard.

20 THE CHAIRMAN: Any other questions?

21 MR. LITTLE: Well it doesn't come in my mind

22 of questioning, but I thought it might be interesting

23 to get your views, because when you say, Mr. McCallister,

24 that you think I gather, the nature of the mortgage

25 financing, and even at 2 1/2 per cent we are

26 financing, that you think we are financing at 2 1/2 per

27 cent would represent excessive rate of interest on terms of

28 secondary financing which is certainly pertinent to the

29 question of secondary financing.

30 I think the rate of interest is so low because



1 things, the aspects of some forms of secondary financing
2 which we don't like are the unamortized form of repayment,
3 where none of the principal, or only a small portion of it
4 is required to be repaid at the top, and where the lump
5 sum becomes payable at the end of two or three years.
6 No matter how ethical the loan, nor how reputable the
7 company making it, we feel that the dangers of that kind
8 of loan are very great, and we have many instances in the
9 Metropolitan Toronto area here. We are just coming into
10 it this summer. I think three years ago in 1959 and 1960
11 the secondary mortgage market was very active in this
12 area. A lot of three year loans were made -- three year
13 secondary loans were made. These will be maturing, if
14 they haven't matured already, they will be maturing this
15 year or next year, if they were four year ones as some of
16 them are. A certain number of people are going to find
17 it very difficult to refinance these balances, even if
18 they are made by a highly reputable company, because
19 the used house market is softer than it was
20 the last year or two years ago. Although the price of
21 houses appears to have gone up fractionally over the last
22 couple of years, there doesn't seem any doubt at all that
23 the value for the dollar in the new house today is slightly
24 higher than it was a year or two or three ago. The
25 competition in the building industry is such that, and
26 despite the National Housing Act inspections which, after
27 all, are only to inspect to a minimum standard. There
28 is a tendency on builders now to be giving slightly more
29 for the building dollar than was the case a year or two
30 ago. So, these people who have loans on the security of



1 things, the aspects of some forms of secondary financing
2 which we don't like are the unregulated form of repayment
3 where none of the principal, or only a small portion of it
4 is required to be repaid at the top, and where the loan
5 sum becomes payable at the end of two or three years.
6 No matter how ethical the loan, nor how reputable the
7 company making it, we feel that the dangers of that kind
8 of loan are very great, and we have many instances in the
9 Metropolitan Toronto area here. We are just coming into
10 it this summer. I think three years ago in 1959 and 1960
11 the secondary mortgage market was very active in this
12 area. A lot of three year loans were made -- three year
13 secondary loans were made. These will be maturing, if
14 they haven't matured already, they will be maturing this
15 year or next year, if they were four year loans as some of
16 them are. A certain number of people are going to find
17 it very difficult to get their money back.
18 they are made by a highly reputable company, because
19 the used house market is better than it was
20 the last year or two years ago. Although the price of
21 houses appears to have gone up fractionally over the last
22 couple of years, there hasn't been any doubt at all that
23 the value for the dollar in the new house today is slightly
24 higher than it was a year or two or three ago. The
25
26 despite the National Housing Act inspection, which, when
27 all, are only to inspect to a minimum standard. There
28 is a tendency on builders now to be giving slightly more
29 for the building dollar than was the case a year or two



1 a house which is now three, or four or five years old
2 are going to find either difficulty in refinancing these
3 mortgages that are coming due or going to find the terms
4 of refinancing even more difficult than they were in the
5 first instance. So we don't like these. They place
6 a very real burden on the owners three or four years after
7 he is in occupation.

8 MR. IRWIN: So, you base your objection
9 mainly on the nature of the terms of repayment, but do you
10 form an opinion that if you see secondary financing at
11 a ten per cent effective interest rate that this is
12 excessive, or 20 per cent, that is excessive, or do you
13 have any opinion at all about this rate of interest on
14 secondary financing?

15 MR. McCULLOCH: Yes, I have an opinion sir, but
16 I think it is a personal one.

17 MR. IRWIN: Oh, I see.

18 THE CHAIRMAN: Do you think, Mr. McCulloch, that
19 people are getting better value today for what they are
20 buying than they were a few years ago?

21 MR. McCULLOCH: I think they are getting slightly
22 better value, Mr. Chairman. I think they are getting it
23 for two reasons. One is that the market is dictating
24 that they get slightly better, and secondly, they are
25 becoming better shoppers. A large number of the new
26 houses that are being sold are being sold to people who
27 have already had experience in buying a new house. They
28 are now buying their second house or their third house,
29 and they are being a little more difficult to satisfy.
30 The whole business of buying a car by blowing the horn



house which is now three, or four or five years old
are going to find either difficulty in refinancing these
mortgages that are coming due or going to find the terms
of refinancing very stiff. They like
first instalment. So we don't like these. They like
a very real burden on the owners three or four years after
he is in occupation.

MR. IRWIN: So, you pass your objection
mainly on the nature of the terms of repayment, and do you
form an opinion that if you see secondary financing at
a ten per cent effective interest rate that this is
excessive, or 20 per cent, that is excessive, or do you
have any opinion at all about this rate of interest on

MR. McCULLOCH: Yes, I have an opinion at all, but
I think it is a personal one.

MR. IRWIN: Oh, I see.

THE CHAIRMAN: Do you think, Mr. McCulloch, that
people are getting better value today for what they are
paying than they were a few years ago?

MR. McCULLOCH: I think they are getting slightly
better value, Mr. Chairman. I think they are getting it
for two reasons. One is that the market is distorting
that they get slightly better, and secondly, they are
becoming better shoppers. A large number of the new
houses that are being sold are being sold to people who
have already had experience in buying a new house.
are now buying their second house or their third house,
and they are being a little more difficult to seduce.
whole business of paying a cash by blowing the horn



1 and kicking the tires had its counterpart in the house
2 purchase. You used to go in and you would flick a light
3 switch and flush the toilet. This seemed to be the
4 yardstick for deciding whether a house was a good one or
5 not. If you flushed the toilet and it worked, this seemed
6 to be like kicking the tire of an automobile. But, this
7 has been changed now, and just as people are most
8 conscious of what goes into an automobile, they are
9 certainly much more conscious of what goes into a house.

10 THE CHAIRMAN: Do you have some regulation that
11 the house must be sold before they commence to build it,
12 or . . .

13 MR. McCULLOCH: No, sir, no.

14 THE CHAIRMAN: . . . is mortgaged?

15 MR. McCULLOCH: No, sir.

16 The only regulation we have is that the house
17 must not be started before -- construction must have
18 not gone beyond the footing stage before we approve the
19 loan. This is so that we can see the inspection from the
20 ground.

21 MR. WHITE: Mr. Chairman, I notice in the Act the
22 word "interest" is used in a number of places, but the
23 word "interest" is not defined in the Act. I am wondering
24 by word of explanation if the word "interest" is giving
25 us quite a bit of trouble, because there are different
26 kinds of interest: land interest, discounted interest,
27 simple interest, effective interest and so on. Perhaps
28 the convention in the mortgage field is such that definitions
29 are unnecessary.

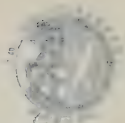
30 THE CHAIRMAN: Could you comment on that?



1 MR. McCULLOCH: Well, I think it is reasonable
2 -- it is not unnecessary, but it is at its minimum in the
3 mortgage field, because regardless of how the mortgage is
4 written, in mortgage practice we are thinking really only
5 in terms of simple interest. That is, where there is
6 a sum owing, the stated rate of interest is applied to
7 that sum for the period for which the sum is owing. And,
8 if there is a hundred dollars owing for one year at six
9 per cent, the simple interest on that is \$6.00. Now,
10 this is all that mortgage financing is. There is no
11 compounding. The only time that there is any compounding
12 is in a circumstance which is under the borrower's own
13 control, and that is with respect to late payment. And
14 there, there is some compounding, because he is liable to
15 be charged interest on the amount of the late payment.

16 But again, it is only simple interest on the
17 payment which is late, but it has the affect of compounding
5/RPS 18 fractionally, the portion of the late payment which in
19 turn represents interest. But, in the hands of the
20 borrower who is making his payment regularly in accord-
21 ance with the terms of his mortgage, we are only concerned
22 with simple interest. That is the stated rate applied
23 to a stated sum for the period for which the money is
24 owing.

25 MR. WHITE: Well I understand all that, but if
26 this Committee were to recommend some declaration of
27 interest rates, he think from the limited inform-
28 ation presented to us so far that the word "interest" would
29 have to be very carefully defined. The Parliament of
30 Canada doesn't have to do that, presumably, because the



1 -- it is not unnecessary, but it is at the same time in the
2 mortgage field, because regardless of how the mortgage is
3 written, in mortgage practice we are thinking really only
4 in terms of simple interest. That is, where there is
5 a sum owing, the stated rate of interest is applied to
6 that sum for the period for which the sum is owing. And
7 if there is a hundred dollars owing for one year at six
8 per cent, the simple interest on that is \$6.00. Now,
9 this is all that mortgage financing is. There is no
10 compounding. The only time that there is any compounding
11 is in a circumstance which is under the borrower's own
12 control, and that is with respect to late payments. And
13 there, there is some compounding because he is liable
14 for the interest on the late payments. But that is
15 but again, it is only simple interest on the
16 payment which is late, but it has the effect of compounding
17 the interest. The reason is that the interest is not
18 paid on the principal, but it is paid on the interest
19 which has accumulated. And that is the reason why the
20 amount with which the mortgagee is concerned is not the
21 same as the amount which the mortgagor is concerned with.
22 With simple interest. That is the stated rate applied
23 to the principal for the period for which the sum is owing.

24 MR. WHITE: Well I understand all that, but is
25 this Committee were to recommend some declaration of
26 interest rates. As thing from the limited infor-
27 mation which is available to the Committee, it is not
28 clear that there is any reason why the rate should be
29 fixed at any particular rate. The Parliament of



1 trust in the mortgage field is so well established.
2 That is what I am wondering about.

3 MR. McCULLOCH: May I put in this -- not that
4 is means anything, Mr. Chairman, that hasn't been said.
5 There is a little thing in here where I said the term
6 "interest" may be defined in two ways on page 4, but it
7 doesn't help you at all. From the mortgagee's point of view,
8 it is the income received from the invested capital, and
9 from the borrower's point of view it is the cost of money
10 which must be paid for the use of money. These
11 are the same amounts but mean different things to the
12 parties receiving the interest or paying the interest.

13 MR. WHITE: What would you do if a small trust
14 company came to you and said they want to make a mortgage
15 loan here at six per cent interest. Six per cent flat --
16 do you know what I mean?

17 MR. McCULLOCH: Yes.

18 MR. WHITE: That would be in the illustration
19 you used; a hundred dollars would be borrowed, the interest
20 would be six per cent, it would be paid back in equal
21 monthly instalments. So, the effective interest would be
22 close to 12.

23 MR. McCULLOCH: It would be higher, yes. That
24 is right.

25 MR. WHITE: In the absence of definition in the
26 Act, I suppose you would say that a trust company -- that
27 isn't our customer.

28 MR. McCULLOCH: Except that in the National
29 Housing Act we stated, I think under -- it may show on this
30 little thing here, I don't know.



1 In the mortgage field is as well established.

2 That is what I am wondering about.

3 MR. MCGILLICRACK: May I put in this -- not that

4 is very important --

5 There is a little thing in here where I said the term

6 "interest" may be defined in two ways on page 4, but the

7 first is the one I am referring to.

8 It is the income received from the invested capital, and

9 then the second is the one I am referring to.

10 When I said that the first is the one I am referring to,

11 and the second is the one I am referring to, I was

12 referring to the first, and the second is the one I am

13 referring to.

14 I am referring to the first, and the second is the one I am

15 referring to.

16 I am referring to the first, and the second is the one I am

17 referring to.

18 MR. WHITE: That would be in the illustration

19 you used; a hundred dollars would be borrowed, the interest

20 would be six per cent, it would be paid back in seven

21 monthly installments. So, the effective interest would be

22 close to 12.

23 MR. MCGILLICRACK: It would be eight, not that

24 is right.

25 MR. WHITE: In the absence of definition in the

26 Act, I suppose you would say that a trust company -- that

27 isn't our customer.

28 MR. MCGILLICRACK: Except that in the National

29 Housing Act we stated, I think under -- it may show on the



1 On the example on Bendix deal : there, the
2 amortization table we describe there alone to be repaid
3 on monthly instalments of 25 years at six per cent per
4 annum, convertible semi-annually. Now, that's one expression.
5 Another expression that you may find, is interest at
6 six per cent per annum, calculated semi-annually, but not
7 in advance. This is another expression. This means that
8 you don't discount it at the beginning of the term, for
9 interest which you expect to earn over the next ensuing six
10 months. You wait until the six months have passed; you
11 review the man's repayment practices and you charge interest
12 on the review, rather than on an advance. This is more
13 favourable to the borrower. It is only fractionally
14 different. In the case of a hundred dollars at six per
15 cent for a half a year, it is only fractionally different.

16 No, I appreciate your problem sir, and getting
17 a definition for all the different kinds of interest is
18 not easy. It is not one that we . . .

19 MR. WHITE: I guess you can't help us on that?

20 MR. McCULLOCH: No, I can't help you. I am
21 sorry. I know what our interest means, but . . .

22 THE CHAIRMAN: Any other questions?

23 Well, we do appreciate, Mr. McCulloch, your . . .

24 MR. McCULLOCH: Mr. Chairman, if I might
25 maybe commend to your reading, if you want to do any
26 further reading, there is a book called "Canadian Mortgages"
27 which has come to be recognized as one of the best texts
28 in the field. It was written by a gentleman who may be
29 known to some of you, Mr. Woodard who is financial adviser
30 in our corporation.

on monthly instalments of \$1 year at the rate of 6 per cent per annum, convertible semi-annually. Now, that's one aspect of it.

Another expression that you may find is interest at six per cent per annum, compounded semi-annually, and not in advance. This is another expression. This means that the interest is compounded semi-annually.

You wait until the six months have passed; you review the man's repayment prospects and you charge interest on the review, rather than on an advance. This is more favourable to the borrower. It is only fractionally different. In the case of a hundred dollars at six per cent for a half a year, it is only fractionally different.

No, I appreciate your problem and I appreciate the definition for all the different kinds of interest. It is not easy. It is not one that we . . .

MR. WHITTE: I agree you could help me on that.

MR. McLELLAN: No, I can't help you. I am sorry. I know what our text means, but . . .

THE CHAIRMAN: Any other questions?

Well, we do appreciate Mr. McLELLAN's work.

MR. McLELLAN: Mr. Chairman, if I may be in the field. It was written by a gentleman who was the



1 MRS. DELL: What was his name again please?

2 MR. McCULLOCH: Woodard.

3 MRS. DELL: Willard?

4 MR. McCULLOCH: Woodard. W-O-O-D-A-R-D.

5 This is Collin's Press in Toronto here.

6 MR. IRWIN: Collin's?

7 MR. McCULLOCH: Collin's, yes.

8 THE CHAIRMAN: Who is Mr. Woodard??

9 MR. McCULLOCH: Mr. Woodard was the financial
10 adviser to our president. He was an employee of the
11 corporation. He died about a couple of years ago.
12 He was formerly actually an executive of Sun Life and
13 he put this book together under the sponsorship of
14 Central Mortgage, and I think it has become recognized
15 as the best modern text on mortgage practices, procedures
16 and I would recommend it to your reading.

17 THE CHAIRMAN: We thoroughly appreciate your
18 bringing that to our attention. We have enjoyed your
19 presentation very much and we do appreciate your coming
20 forward at this time, when we are trying to get the
21 broad background of this subject. I would like to go on
22 record as saying that it helped us materially in getting
23 ourselves into a position where we can understand this
24 whole subject a little bit better.

25 Thank you very much.

26 MR. McCULLOCH: Thank you very much.

27 Don't hesitate to call on me again.

28 THE CHAIRMAN: We will just take a five minute
29 break here gentlemen.

30 ---SHORT RECESS.



MR. MCGILL: Woodard, W-O-O-D-A-R-D.

This is Collins's Press in Toronto here.

MR. IRWIN: Collins's?

THE CHAIRMAN: Who is Mr. Woodard?

MR. MCGILL: Mr. Woodard was the financial

adviser to our president. He was an employee of the

corporation. He died about a couple of years ago.

He was formerly actually an executive of Sun Life and

he put this book together under the sponsorship of

General Woodard, and I think he was a very

valuable person, and I think he was a very

valuable person, and I think he was a very

THE CHAIRMAN: We thoroughly appreciate your

bringing that to our attention. We have enjoyed your

presentation very much and we do appreciate your coming

forward at this time, when we are trying to get the

broad background of this subject. I would like to go on

record as saying that it helped us materially in getting

ourselves into a position where we can understand this

whole subject a little bit better.

Thank you very much.

MR. MCGILL: Thank you very much.

THE CHAIRMAN: We will just save a five minute

break here gentlemen.



1 THE CHAIRMAN: And now that we have had our
2 five minute recess, we will resume our work.

3 As you know from your agenda, we have with us
4 this afternoon Mrs. V. W. G. Wilson, who is Chairman of
5 the National Committee on Consumer Credit of the Consumers
6 Association of Canada. Mrs. Wilson has come here from
7 Montreal to be with us today, and I understand she is
8 taking the plane back this evening. She is very familiar
9 with this subject, and she has presented, I believe,
10 similar briefs before and we would like to welcome her
11 here and assure her that we are very interested in what
12 she has to tell us.

13 Ladies and gentlemen, Mrs. Wilson.

14 MRS. WILSON: I did prepare this brief in a great
15 hurry. It is only a draft copy, so please forgive the --
16 it was done since last Thursday and Monday in our Province
17 was a holiday. It really was done in a rush, but it does
18 contain some of our thinking. May I read it to you?

19 THE CHAIRMAN: Yes, go ahead.

20 MRS WILSON:

21 "Dear Sirs:

22 "The Consumers Association of Canada

23 "welcomes this opportunity to discuss consumer

24 "credit as it affects consumers securing credit

25 "for their purchases.

26 "Two of our major endeavours are:

27 "First, consumer education; and second, to

28 "provide consumers with protection over the

29 "widest possible area of consumer goods and

30 "services. It is in this context that C.A.C.



THE CHAIRMAN: And now that we have had our

five minute recess, we will resume our work.

As you know from your agenda, we have with us

this afternoon Mrs. V. W. Wilson, who is President of

the National Committee on Government Credit of the Government

of Canada.

She is here today, we are told, to

taking the plane back this evening. She is very familiar

with all the details of the Government's credit

policy and is a most valuable member of the

committee.

Let us now hear from Mrs. Wilson.

Ladies and Gentlemen, Mrs. Wilson.

MRS. WILSON: I did prepare this brief for you

hurry. It is only a draft copy, so please forgive me

it was done some last Thursday and Monday in our Province

was a holiday. It really was done in a rush, but it does

contain some of our thinking. May I read it to you?

THE CHAIRMAN: Yes, go ahead.

MRS. WILSON:

"First, I want to

"We welcome this opportunity to discuss our

"credit as it affects government and business credit

"for the present.

"We are not here to discuss the

"first, government credit; and second, to

"provide comments with protection over the

"widest possible area of consumer goods and



1 "is concerned that the consumers are complicating
2 "their purchasing decisions by buying on credit
3 "terms without all the factual information
4 "necessary to use it wisely.

5 "It is not our intention to condemn
6 "credit buying, for this has not only been
7 "an important factor in raising the standard
8 "of living for many families, but some argue
9 "also has maintained the growth of our consumer
10 "goods industries by the stabilizing influence
11 "it brings to sales and employment.

12 "On the other hand, economists debate
13 "as to what level of consumer debt is detrimental
14 "to the economy.

15 "While it is the hope of C.A.C. that
16 "consumer credit debt will never surpass safe
17 "levels, we are incompetent to decide what is
18 "a safe level.

19 I talked to a very competent economist, and he
20 said nobody could recommend it.

21 "Our approach to credit contracts is
22 "that each party to the transaction has a right
23 "to equal understanding of the transaction.
24 "Instalment credit has shown a meteoric rise
25 "in the last decade. One writer has said that
26 "the most important single phenomena concerning
27 "this, is that the consumer is ignorant,
28 "illiterate and easily deceived when it comes
29 "to knowing the cost of credit. This has been
30 "demonstrated in many surveys. In one report



"is concerned that the consumers are complicated
"their purchasing decisions by buying on credit
"terms without all the factual information
"necessary to use it wisely.
"It is not our intention to condemn
"credit buying, for this was not only born
"an important factor in raising the standard
"of living for many families, but some credit
"also has maintained the growth of our economy
"goods industries by the stabilizing influence
"it brings to sales and employment.
"On the other hand, economic debate
"as to what level of consumer debt is detrimental
"to the economy.
"While it is the hope of C.A.U. that
"consumer credit debt will never surpass safe
"levels, we are impatient to decide what is
"a safe level.
"I talked to a very competent economist, and he
"said nobody could recommend it.
"Our approach to credit consumption is
"that each party to the transaction has a right
"to equal understanding of the transaction.
"Installment credit has shown a historic rise
"in the last decade. One writer has said that
"this, is that the consumer is ignorant,
"and easily deceived when it comes
"to the cost of credit. This has been



1 "of a survey of one hundred families reported
2 "from the University of California, two-thirds
3 "of the families who were buying new or used
4 "cars had no idea of the cost of the credit.
5 "And the other third thought that the cost was
6 "from five to six per cent, while in reality it
7 "was twelve to twenty-seven.

8 "During the debates on Senator Croll's
9 "disclosure bills, it was repeatedly argued
10 "that most people were only interested in having
11 "sufficient money to meet their monthly term
12 "payments. C.A.C. strongly supported Senator
13 "Croll. We submit that consumers have the right
14 "to know the total amount of finance charges in
15 "dollars and cents, and in terms of simple
16 "annual interest when entering into a credit
17 "contract. We believe that an increasing number
18 "customers can, and will protect themselves
19 "when provided with adequate information on
20 "which to base judgment. We reject the implic-
21 "ation that most Canadians are either stupid
22 "or irresponsible.

23 "On this point, C.A.C. is most concerned
24 "that many consumers are signing credit contracts
25 "without carefully reading them, nor understanding
26 "their content.

27 "Informed managers of the family income
28 "know that the cost of consumer credit includes
29 "the cost of opening the account, investigation,
30 "collections and bad debts.



1 "These costs differ little from big
2 "loans to small short-term loans, and therefore,
3 "such small loans carry very high percentage
4 "charges. Many of the public cling to the
5 "long-established erroneous idea that all
6 "rates should be in the order of six per cent.
7 "Consumer education in this area is a must
8 "to secure informed buyers. This responsibility
9 "is shared by C.A.C., responsible retailers
10 "and credit-granting organizations.

11 "C.A.C. urges that shoppers do comparative
12 "shopping for credit. In order to do this,
13 "we must have full information, including a
14 "per unit price per cent per annum. There are
15 "difficulties in computing financial charges
16 "in terms of percentage calculations.

17 "Our organization endorses the solution
18 "offered by Senator Croll and Bill F. Street
19 "presented the Senate that the Government of
20 "Canada, before the manner of calculations
21 "and degree of accuracy in computing the
22 "financial charges, and calculating the cost
23 "and terms of simple annual interest.

24 "The purpose of securing the per annum
25 "rate is to enlighten the consumer; and for this,
26 "the rate need be correct only to one half
27 "to one per cent. Whenever there are
28 "variations from one contract to another, in
29 "either time or money, it is impossible to
30 "do comparative shopping for credit, unless the



"such small-scale work very high percentages
"long-established experience in this field
"rates should be in the order of six per cent.
"Consumer education in this area is a must
"to secure the money properly. This responsibility
"is shared by C.A.C., responsible to all
"and credit-granting organizations.
"C.A.C. argues that appropriate to organizations
"shipping for credit. In order to do this
"we must have full information, including
"per unit price per unit per unit. If not, we
"difficulties in carrying financial charges
"in terms of percentage calculation.
"Our organization requires the following
"collected by Senator Croll and Bill A. Brown
"instructed the banks and the interest rate
"banks, but the amount of calculation
"and degree of accuracy in computing the
"financial charges, and calculating the cost
"and terms of simple annual interest.
"The purpose of the law is to provide
"make it to provide the consumer; and for the
"the more need be turned only to one bank
"to one per cent. However there are
"variations in the contract to another, in
"either case or money; it is impossible to



1 "cost of the loan be expressed in terms of
2 "simple annual interest." Small dealers at work
3 "with finance organizations supply them with
4 "tables which they do use in setting up credit
5 "contracts. An annual rate charge could be
6 "included. It is impossible for the consumer
7 "to, unassisted, calculate the cost of credit.
8 "Today, the consumer has many sources of credit:
9 "the retail store within a certain fitted plan,
10 "the bank, small loan companies, credit cards.
11 We have issued a small pamphlet which I think
12 you have called "Credit Costs Money", which includes
13 a formula to be used in working out the cost of the credit
14 in terms of simple annual interest.
15 The formula we use, gentlemen, is the United
16 States federal reserve system formula, called "The Constant
17 Ratio one" and is used in a great many places to work
18 out the cost of credit.
19 For the past 50 years, citizens in Ontario believe
20 that borrowers were protected against certain abuses by
21 the Unconscionable Transactions Relief Act.
22 Last summer, the Ontario Court of Appeal held
23 the Act to be unconstitutional. There was a difference
24 with the judgement to the Ontario Court over the interpret-
25 ation of interest. Senator Croll's disclosure bills
26 had been challenged as being unconstitutional. The base
27 here, also hinged around the term "interest". This
28 creates a serious situation for the borrower. Has the
29 consumer any protection in this field?

30 It appears that consumers urgently need



"cost of the loan be expressed in terms of
"simple annual interest. Small business as well
"with finance organizations supply them with
"tables which they do use in setting up credit
"contracts. An annual rate charge could be
"included. It is impractical for the consumer
"Today, the consumer has many sources of credit
"the retail store within a certain fixed area,
"the bank, small loan companies, credit cards,
"We have issued a small pamphlet which I think
"you have called "Credit Costs Money", which includes
"a formula to be used in working out the cost of the credit
"in terms of simple annual interest.
"The formula we use, mentioned in the pamphlet
"States Federal Reserve System formula, called "the Credit
"Ratio one" and is used in a great many places to work
"out the cost of credit.
"For the past 10 years, efforts in Ontario have
"that borrowers were protected against certain abuses by
"the Unconscionable Transactions Relief Act.
"Last summer, the Ontario Council of Agencies
"the Act to be unconstitutional. There was a difference
"with the judgment of the Ontario Council and the Interprovincial
"action of interest. Several Ontario decisions of the
"had been challenged as being unconstitutional. The case
"here, also hinged around the term "interest". This
"created a serious situation for the borrower. Has the
"consumer any protection in this field?



1 legislation, federal or provincial. C.A.C.would

2 welcome a decision of the Supreme Court on this matter.

3 On the authority of the National Annual Meeting
4 in 1959, our provincial branches were empowered to
5 seek provincial legislation which would require all loans
6 and sales contracts, and all advertising when credit
7 terms were offered, to include

8 (1) principal amount of the sale;

9 (2) the number, amount and dates of payments
10 to be made, and

11 (3) the cost of credit, expressed in terms of
12 simple annual interest.

13 Since the average consumer has not had legal
14 training, is not a financial expert nor an economist,
15 he has unequal bargaining with consumer rights directly.
16 These must be established through adequate legislation.
17 The faults in consumer credit are extremely low.

18 We are concerned that there be any unfair clauses in
19 consumer credit contracts. In point of fact, the Financial
20 Post of February the 8th, 1961 reported, that the normal
21 write-off credit losses that year ran about .16 per cent
22 of total retail sales. Of these, it has been estimated
23 that repossessions constitute about 5 to 10 per cent
24 a very small amount, and this estimate was quoted
25 by a Doctor Zeigel in retail sales legislation. We list
26 some of the problems brought to our attention, warranting
27 consideration in framing conditional sales legislation, in
28 addition to those mentioned above.

29 1. The need for sound credit standards; partic-
30 ularly adequate down payment.

2. Delinquency charges.



...become a decision of the Supreme Court on this matter.

On the authority of the National Annual Meeting

In 1939, our provincial branches were expanded to

...and other countries and all branches were

...the principal amount of the sale:

(2) the number, amount and date of payment

to be made, and

(3) the cost of credit, expressed in terms of

...Since the average consumer has not had legal

...he has unequal bargaining with consumer rights directly.

...the Federal Reserve Bank of New York

We are concerned that there be any unfair classes in

consumer credit contracts. In point of fact, the Federal

Reserve of February the 8th, 1961 reported, that the normal

write-off credit losses that year ran about .16 per cent

...in the Federal Reserve Bank of New York

...and this estimate was based

by a Doctor Zelig in retail sales legislation. We find

...of the problem brought to our attention, regarding

consideration in framing of additional sales legislation

addition to those mentioned above.



1
2 Three, the tenant is in possession. The buyer's equity
3 and merchandise, contracts containing a number of
4 items where there is repossession and deficiency payments.
5 Four, wage assignments

6 To meet time payment bills.

7 Five, licensing credit firms. Six, coverage with
8 hospital insurance on the life of a buyer, by finance
9 companies should be regulated and seven, provisions
10 for enforcing the Act. C.A.C. is a lay organization ---
11 and up to the present time, has not had the facilities
12 to study legislative developments in the Province
13 in the consumer credit field.

14 We are most heartened at your study in this matter
15 that may mean further legislation in Ontario. Thank you.

16 THE CHAIRMAN: Mrs. Wilson, some of the
17 members may have some questions.

18 MRS. WILSON: I will try to answer them if
19 I can.

20 THE CHAIRMAN: Before they get on with asking
21 any questions they might have, is there anything you
22 would like to add to what you said?

23 MRS. WILSON: There are a number of things in
24 connection with this they might want to question.

25 THE CHAIRMAN: All right.

26 MRS. WILSON: Now, we will talk about it
27 later.

28 THE CHAIRMAN: All right. Now, we will start
29 over from the left with Mr. Lawrence. Do you have
30 any questions ---



and merchandise, contracts containing a number of
items where there is representation and delivery payments
four, wage assignments

To meet time payment bills.
hospital insurance on the life of a buyer, by finance
companies should be requested and seven, providing
for entering the A.C.A.C. is a lay organization --
and up to the present time, has not had the facilities
to study legislative developments in the Province
in the consumer credit field.

We are most heartened at your study in this matter
that may mean further legislation in Ontario. Thank you.

THE CHAIRMAN: Mrs. Wilson, some of the
members may have some questions.
MR. WILSON: I will try to answer them if

THE CHAIRMAN: Before they get on with asking
any questions they might have, is there anything you
would like to add to what you said?

MRS. WILSON: There are a number of things in
connection with this study which I would like to mention

THE CHAIRMAN: All right.
MRS. WILSON: Now, we will talk about

THE CHAIRMAN: All right. Now, we will start



1 Mr. MacDonald? Mr. White?

2 MR. WHITE: Well, I think it is an excellent
3 brief, Mrs. Wilson.

4 MRS. WILSON: Thank you.

5 MR. WHITE: Most interesting to the Committee.
6 If .16% is the lowest ---

7 MRS. WILSON: Very low. Yes it is --- very
8 low.

9 MR. WHITE: The decimal is placed in the
10 right place, is it?

11 MRS. WILSON: Oh, quite. .16% --- it is
12 extremely low. I mean, this fragment in the population
13 is small, but I think most people who are unfortunate
14 enough to have their merchandise repossessed need our
15 protection quite frankly, and we have got to look
16 after them. They don't know their rights --- They are that
17 group that you really must take care of, but they
18 are a small percentage.

19 And may I say about this matter of
20 his payments. A great --- and this is reported to us
21 by families, welfare people and family counselling
22 people --- but strangely enough people who are indebted
23 to finance companies will make the payments on their
24 indebtedness to pay for their television or their
25 washing machine at the expense, sometimes, of food
26 for their families. It seems as though it were an
27 obligation which they do meet is first, and usually
28 this may account for it.

29 MR. WHITE: Perhaps finance companies have
30 good collection methods.



1 MRS. WILSON: Probably they have, but ---

2 MR. WHITE: And that has a bearing.

3 MRS. WILSON: I did read at one time.

4 Now, there are no firm figures on these things, you know.

5 At one time 95% of all debts were collected without

6 any problem at all, and the other 5% had to have

7 persuasion of one kind or another used, and it was

8 less than 1%. This is several years ago.

9 MR. MacDONALD: Hunger is less threatening
10 than a financial collection agency?

11 MRS. WILSON: Pardon?

12 MR. MacDONALD: Hunger is less threatening
13 than the collection agency.

14 MRS. WILSON: I suppose so.

15 I am not prepared now --- so many people ask me if I
16 feel that family problems, family break ups are connected
17 with this sort of debt. I am not a social worker,
18 and I am not prepared to say whether they are or not.
19 The fact remains that these accompany each other frequently.

20 The trouble may be much more deep-seated, it might
21 be divorce, it might be alcohol, it might be just plain
22 bad managers. I don't, but they do often go together,
23 but I wouldn't be prepared to say what was to blame.

24 I have talked to social workers and

25

26 MR. WHITE: Well, there were seven problems
27 listed at the end of your brief. I think I understand
28 them, but I don't know which of the problems that are
29 met here in Ontario.

30 MRS. WILSON: Well, I don't know either --- I



MRS. WILSON: And that's a possibility.

MRS. WILSON: I still need to see him.

any problem at all, and the other 50 had to have
persuasion of one kind or another, and it was
less than 100. This is a small group and

MR. MASON: I think it is a possibility

than a financial collection agency

MRS. WILSON: I think

MR. MASON: I think it is less

than the collection agency.

MRS. WILSON: I suppose not.

I am not prepared to say -- so many people say so --

feel that family problems, family and the

when this sort of thing. I am not a social worker.

and I am not prepared to say whether they are or not.

The fact remains that there are many such cases.

The trouble may be more or less deep-seated, it might

be divorce, it might be alcohol, it might be just

and nervousness. I don't, but that do often go together.

and I wouldn't be prepared to say what was the cause.

I have talked to social workers and

MR. WILSON: Well, there were seven problems

I think I understand



1 am conceited to say this, but I think they don't know.
2 These are ones that have been brought to us. I am
3 quite concerned, of course, with the need for sound
4 credit standards. May I mention that first? We have
5 a feeling --- now, we are not --- we have no official
6 stand, but we have a feeling that if people can't
7 pay 10% down they shouldn't buy things. May I show
8 you something I picked up as I was eating my lunch
9 today. You know restaurants. Here are two ads in
10 the Star last night. "Hi-fi --- no down payment.
11 Buy at Simpsons.
12 No down payment at all and \$10.00 a month". Now,
13 we submit, or we think that unless
14 one has a down payment of at least 10 per cent,
15 that probably people shouldn't get it. And here is
16 another one I picked up in the same paper last night
17 of Rugland --- wherever Rugland is --- That is since I
18 have left town. This says no money down, immediate
19 delivery, no money to pay until September 15th. In
20 other words, you use the carpet until the 15th of
21 September without paying one cent and then you pay ---
22 and then this says then take years to pay --- years to
23 pay --- on our charge-it club plan. Now, this is what
24 we don't think is sound. I mean, I have nothing against
25 Rugland, don't misunderstand me,
26 but I just picked these two up when I ate my lunch
27 today, picked up an old Star from last night
28 -- It is no -- it is every store just about.
29 I think that is not good for us, myself.

30 MR. MacDONALD: Are you suggesting that



am contented to say this, but I think they don't know.
 These are ones that have been brought to us. I am
 quite concerned, of course, with the need for sound
 credit standards. May I mention that first? We have
 a feeling --- now, we are not --- we have no official
 stand, but we have a feeling that it's people can't
 pay for down they shouldn't pay things. May I show
 you something I picked up as I was eating my lunch
 today. You know restaurants. There are two ads in
 the Star last night. "Hit it --- no down payments."
 Buy at Simpsons.
 No down payments at all and \$10.00 a month. Now,
 we have a down payment of at least 10 per cent.
 that probably people shouldn't get it. And here is
 another one I picked up in the same paper last night
 of Reginald --- wherever Reginald is --- There is almost
 now left down. This says no money down, immediate
 delivery, no money to pay until September 15th. If
 other words, you use the car for nearly the 15th of
 September without paying one cent and then you pay ---
 and then this says then same years to pay --- you're to
 pay --- on our charge-it club plan. Now, this is what
 we don't think is sound. I mean, I have nothing against
 Reginald, don't misunderstand me.
 but I just picked these two up when I ate my lunch
 today, picked up an old Star from last night
 --- It is no --- it is every store that advert.
 I think that is not good for us, myself.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29



1 that might be met by regulations?

2 MRS. WILSON: Yes, I think it was by sound
3 credit standards ---- I think that what probably might
4 help. ---- it would be a 10% down-payment.

5 MR. WHITE: Prescribed by law.

6 MRS. WILSON: Prescribed by law. And
7 certainly I would like to say that we don't think that
8 any family should use credit usually --- sometimes there
9 are special circumstances for more than 10% of the
10 take-home pay goes to credit.

11 MR. WHITE: Of course, if you save
12 that 10% down-payment, then they will ---- they will
13 give you 10% of the value, maybe plus ten. You see,
14 it is hard to ---

15 MRS. WILSON: Well, it depends on whether
16 you are buying a rug. It would be 10% of the value of the
17 rug, wouldn't it?

18 MR. WHITE: Well, I mean, they might trade
19 in your old bath mat for 10% of their list price if
20 you feel ---

21 MRS. WILSON: Once you start a regulation,
22 you have just got to take care. That is what I mean
23 in this very general statement about sound credit
24 conditions ---

25 MR. WHITE: Would you care to elaborate on
26 the other points for the ---

27 MRS. WILSON: Yes. The delinquency charges.
28 Now, I would say I don't know Ontario law at all, but
29 it has been brought to our attention sometimes when
30 people fall short of meeting their payments, they do go.



...might be ...
MRS. WILSON: Yes, I think it was by some
credit standards ---- I think that what probably might
help -- it would be a 10% down-payment.
MR. WHITE: Prescribed by law.
MRS. WILSON: Prescribed by law, and
certainly I would like to say that we don't think that
any family should use credit readily -- sometimes there
are special circumstances for more than 10% of the
take-downs pay goes to credit.
MR. WHITE: Of course, if you said
that 10% down-payment, then they will -- they will
give you 10% of the value, maybe plus ten. You say
it is hard to ---
MRS. WILSON: Well, it depends on what
you are paying a man. It would be 10% of the value of the
house, wouldn't it?
MR. WHITE: Well, I mean, they might agree
in your old bank that for 10% of their bank price it
you feel ---
MRS. WILSON: Once you start a negotiation,
you have just got to take some. That is what I mean
in this very general statement about sound credit
conditions ---
MR. WHITE: Would you care to elaborate on
the other points for the ---
MRS. WILSON: Yes, the delinquency question.
Now, I would say I don't know Ontario law as well as
people talk about of meeting their payments, they do not



1 Now, this isn't to our better credit companies,
2 but to some credit companies, and they fine, as it
3 were, or they charge for not making the payments on
4 time, which is extremely hard,
5 that is the delinquency charge. Now, as far as
6 repossession is concerned, here in this country, and I
7 have a number of contracts here --- I don't have to
8 show them to you --- but I have some from Simpsons and . . .
9 Please don't take note of the companies, because it is
10 every company. The merchandise is the --- in the
11 possession -- it belongs to the company till the last
12 cent is paid, and the point about it is that till the last
13 cent is paid the company can, without any fuss,
14 repossess it. And this is not the fact in
15 some States in the United States, I believe, and it is
16 not the way in Britain. You are all, I am sure,
17 acquainted with the hire-purchase system.
18 In Britain if you have paid down one-third of a
19 piece of merchandise, which is the price of the account
20 then you can't repossess it without a court order.
21 Under the credit sales agreement in Britain, another piece
22 of legislation, with certain merchandise, if one
23 payment has been made, then there has to be court
24 procedures for the defaulter to lose the
25 possessions. I was very much interested to have a
26 conversation with a bailiff one day, and I had
27 heard of an unfortunate family that had bought three
28 items on the same credit contract. Let us say it was
29 a washing machine and a television set - it would be sure to
30 be a T.V. set, and a television set and a vacuum cleaner.



Now, this isn't to say better credit companies, but to some credit companies, and they like to be sure, or they change for not making the payments on time, which is extremely hard, that is the delinquent charge. Now, as far as repossession is concerned, here in this country, and I have a number of companies here --- I don't have to show them to you --- but I have some from England and I don't take note of the companies, because in the every company. The merchandise is the --- in the possession -- it belongs to the company till the last cent is paid, and the point about it is that till the last cent is paid the company can, without any delay, repossess it. And this is not the last to some States in the United States, I believe, and not the way in Britain. You are all, I am sure acquainted with the in Britain if you have paid down one-third of the price of merchandise, which is the price of the goods, then you can't repossess it without a court order. Under the credit sales agreement in Britain, another part of legislation, with certain merchandise, if one payment has been made, then there has to be some procedures for the delinquent to lose the possessions. I was very much interested to have a conversation with a bailiff one day, and I had heard of an unfortunate family that had bought three items on the same credit contract. Let us say it was a washing machine and a television set -- it would be a



1 I am not sure it was these three things, but they
2 bought three items. They had completely paid
3 for two; they were owing on the third still, somewhat.
4 But there were --- this was all in the one contract,
5 and legally the firm was able to repossess all three
6 items. Now, this is the kind of thing I hope you will
7 look into.

8 MR. WHITE: As a matter of fact, if I may
9 interject a little more. There is a more vicious practice tha
that.
10 If one buys a car with a nominal down-payment very often
11 the dealer will put the buyer's furniture on the note.

12 MRS. WILSON: That is right.

13 MR. WHITE: The balance --- this forms a part of
14 the collateral.

15 MRS. WILSON: Yes, that's right.

16 MR. WHITE: And if the man is unable to
17 pay for the car, his furniture can be repossessed too.

18 MRS. WILSON: Yes.

19 MR. WHITE: I suggested in the legislature,
20 this last session, that the collateral be confined to
21 the purchase.

22 MRS. WILSON: Yes. This is included in
23 something else I want to speak of, and that is add
24 on where one contract is added on to another, sometimes
25 a car, something else is to be paid for. Another
26 thing is this, and see, I have mentioned the deficiency payments
27 This is the case in which a piece of furniture or piece
28 of merchandise can be repossessed, but let us suppose
29 the person who has originally bought it has used it
30 very badly --- let us suppose it is a television set and



I am not sure it was these three things, but they

bought three items. They had completely paid

two; they were owing on the third still, somehow.

But there were --- this was all in the one account.

and legally the firm was able to reproduce all these

items. Now, this is the kind of thing I hope you will

look into.

MR. WHITE: As a matter of fact, in I have

the dealer will put the person's furniture on the note.

MRS. WILSON: That is right.

MR. WHITE: The balance --- this comes a part

the collateral.

MRS. WILSON: Yes, that's right.

MR. WHITE: And if the man is unable to

pay for the car, his furniture can be repossessed too.

MR. WHITE: I suggested in the last session,

this last session, that the collateral be confined to

MRS. WILSON: Yes, that is included in

something else I want to speak of, and that is all

on where one contract is added on to another, sometimes

a car, something else is to be paid for, sometimes

that is this and that, I have mentioned the difficulty

This is the case in which a piece of furniture is added

of merchandise can be repossessed, but let us suppose

the person who has actually bought it has used it



1 they have abused it --- it is not good --- it is out
2 of commission. Then the buyer still must pay the
3 difference between the value of the television set
4 I presume, as it was repossessed and the original
5 purchase price. Now, they speak of that as a deficiency
6 payment. Now, as I say, gentlemen, I don't know what the
7 situation in Ontario is, but

8 these are all ones that have been brought to our
9 attention as being situations in Canada, and I ---

10 MR. LAWRENCE: The situation certainly
11 applies in the used automobile business here in Canada.

12 MRS. WILSON: Yes.

13 MR. LAWRENCE: There is a great difference
14 in the values between a television and a car.

15 MRS. WILSON: Yes, yes. And you see, if it is
16 repossessed, then he still owes the difference. That is
17 what they call deficiency payment.

18
19
20
21 Then, I don't know what the law about wage
22 assignments in Ontario actually is, I think that needs
23 a great many firms don't like wage assignments and I consideration.
24 talked to another business men about this, and you
25 probably could bear me out. If a man has his wages
26 assigned, usually or often, the firm is not interested
27 in keeping him as an employee. He not only has his
28 wages assigned, but he loses his job. This seems to
29 be the situation. Now then, in some places I understand
30 there is a time between which notice is given of



they have secured it -- it is in good -- it is in
of connection. Then the paper will must pay the
difference between the value of the information and
I presume, as it was reproduced and the original
purchase price. Now, they speak of that as a television
set which is different from the one
those are all ones that have been brought to our
attention as being different from the others, and --
MR. LAWSON: The situation certainly
applies to the most authoritative statement made in Ontario
MR. LAWSON: There is a great difference
in the values between a television and a car.
MR. LAWSON: Yes, yes, and you see, I
reproduced, then a really good television set, and
what they call a television set.

Now, I don't know if the law about was
could mean in Ontario actually in, I think that would
a great many times would like what you would see and I
believe to another business man about that, and you
probably could hear me out. It is not his right
assigned, namely to show the film is not interested
in keeping him as an employee. He not only has his
wages assigned, but he loses his job. This seems to
be the situation. Now then, in some places I believe
there is a time between which notice is given



1 the assignment and it takes place, and this
2 happens under the law in certain places, and it seems
3 to me at least that much should be done for the man.
4 It seems a dreadful thing to do. First -- remember this
5 is a very small percentage of the population --- most
6 of us live our lives very comfortably and this never
7 happens, but it does happen to some people.

8 Now, the next point ---

9 MR. LAWRENCE: Some of them are bad actors,
10 if I may say so.

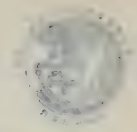
11 MRS. WILSON: Yes, I quite agree with you.
12 Some of them are very bad actors, I know.

13 These are the problems with people we have. We have
14 to do what we can for them.

15 The next one is the licensing credit firm.
16 Now, under The Small Loans Act ,
17 all the small loan companies, as you probably know,
18 as well as I do, are all licensed, and the Inspector
19 of Insurance inspects them, and there is no --- they
20 are regulated as to the law, but there is no licensing
21 at present.

22 MR. LAWRENCE: Right.

23 MRS. WILSON: Why don't the -- Last summer I was in
24 Ontario with members of the Industrial Acceptance Corporation
25 which is one of the big finance companies and he
26 said the small firms which did irregular things,
27 that the big credit companies would like very much to
28 buy them up and get them out of business, because they
29 are giving them a bad name. Certainly one way to regulate
30 these people would be licensing, and I cannot see any



the management and its place, and this

represents under the law in certain places, and it seems

to me at least that much should be done for the man.

It seems a dreadful thing to do. That -- something in

is a very small percentage of the population -- -- most

of us live our lives very comfortably and take no

happenings, but it does happen to some people.

Now, the next thing --

MR. LAWRENCE: Some of them are not taking

it. I may say so.

MRS. WILSON: Yes, I quite agree with you.

Some of them are very bad doctors, I know.

These are the problems with people we have. We have

to do what we can for them.

The next one is the licensing credit limit.

Now, under the Small Loans Act,

all the small loans companies, as you probably know

as well as I do, are all licensed, and the Insurance

companies regulate them, and there is no -- that

are regulated as to the law, but there is no licensing

at present.

MRS. WILSON: Why don't the -- I don't know --

which is one of the big finance companies, and in

and the small firms which are not regulated.

that the big credit companies would like very much to



1 if all the loan companies are licensed, why finance
2 companies shouldn't be licensed too, I simply don't
3 understand.

4 The next one is covering and cost of insurance
5 on the life of the buyer by finance companies should
6 be regulated. I understand that insome instances --- of
7 course there is the story about you buy and you live
8 peaceably because if you die, you see, then your family
9 will get the washing machine and this is to give
10 you peace of mind for the rest of your life. Actually
11 it is to protect the finance company, really. It is
12 not to protect the buyer, I would submit. But in
13 some cases -- I am not opposed to this insurance,
14 but in some cases it is on a level --- that it runs
15 at \$2.00 per \$100.00 per annum. You see, for the
16 full length of the contract. In other cases it is
17 on a decreasing scale as the principal is paid off,
18 then the amount of the insurance is decreased. Now,
19 this is something that I think should be carefully
20 looked into and another thing which we have had drawn
21 to our attention is that some of the dealers have a
22 pact with the insurance company who handles it, and
23 they get a very large slice of the commission. I
24 think this is something that should be carefully gone
25 into, and then, of course, the last one I think is
26 self-evident --- there should be provisions for
27 enforcing the Act.

28 And anything else, I have talked a lot. I will
29 tell you about this --- speaking of what there is
30 in Canada, Dean Zeigel, Dean, of the Faculty of Law



it all the time companies are licensed. Why finance companies shouldn't be licensed too, I simply don't

The next one is covering and cost of insurance on the life of the buyer by finance companies should be regulated. I understand that income insurance -- of course there is the story about you buy and you live peacefully because if you die, you see, then your family will get the washing machine and this is to give you peace of mind for the rest of your life. Actually it is to protect the finance company, really. It is not to protect the buyer, I would admit. But in some cases -- I am not opposed to this insurance but in some cases it is on a level --- that is runs at \$2.00 per \$100.00 per annum. You see, for the full length of the contract. In other cases it is on a decreasing scale as the principal is paid off, then the amount of the insurance is decreased. Now, it is something that I think should be carefully looked into and another thing which we have not given too much attention is that some of the dealers have gone with the insurance company who handled it, and they get a very large slice of the commission. I think this is something that should be carefully gone into, and then, of course, the last one I think is self-evident --- there should be provision for protecting the rest.

And anything else, I have said a lot. I will tell you about this --- speaking of which there is in Canada, I am afraid, Dean of the Faculty of Law



1 at the University of Saskatchewan, this is a book --- a
2 pamphlet, rather --- Retail Installment Sales legislation
3 Survey for Canada is very good retail sales. "Retail
4 Installment Sales Legislation by Jacob S. Zeigel at the
5 University of Saskatchewan. He has written a couple
6 of books on this subject which are very good,
7 and I had the opportunity of looking at them.

8 MR. MacDONALD: Mr. Chairman, it seems to me
9 this would be an interesting supplement to what we had
10 yesterday ---

11 MRS. DELL: We will try and get it.

12
13 MRS. WILSON: Dr. Zeigel has actually written
14 a number of others. This is something he has gone
15 into very carefully --- perhaps more carefully than
16 anybody else in Canada I know of.

17 THE CHAIRMAN: Well, thanks for bringing that
18 to our attention. I don't think that I had heard of the ---

19
20 MRS. WILSON: May I make another suggestion?
21 about these conditional sales contracts --- that in the
22 State of New York Dr. Persia Campbell who was Consumer
23 Counsel to Avrell Harriman --- really pioneered in
24 installment credit legislation --- of course when
25 Rockefeller came in and Harriman went out, she went out
26 too, but if she had it, you could easily secure it,
27 and I think it has been quite a model for other people ---
28 Dr. Persia Campbell's legislation. The All-Goods Bill
29 and then another one called --- there was the establishment
30 of the Bureau of Consumer Products and Protection. Now,



at the University of Saskatchewan, this is a book --- a
pamphlet, rather --- Retail Installation Sales Legislation
MRS. WILSON:
Survey for Canada is very good. Retail sales. "Retail
Installation Sales Legislation by Jacob S. Zeigel at the
University of Saskatchewan. He has written a couple
of books on this subject which are very good.
MR. MacDONALD: Mr. Chairman, it seems to me
this would be an interesting supplement to what we had
yesterday ---
MRS. DELL: We will try and get it.
MRS. WILSON: Dr. Zeigel has recently written
a number of others. This is something he has done
into very carefully --- perhaps more carefully than
anybody else in Canada I know of.
THE CHAIRMAN: Well, thanks for bringing that
to our attention. I don't think that I had heard
MRS. WILSON: May I make another suggestion
about these conditional sales contracts --- that in the
State of New York Dr. Perata Campbell who was Governor
connected to Averell Harriman --- really pioneered in
Booker T. came in and Harriman went out, she went in
too, but if she had it, you could easily secure it,
and I think it has been quite a model for other people
Dr. Perata Campbell's legislation. The All-Canada Fair
and then another one called --- there was the educational



1 this really was pioneered by Dr. Portia Campbell -- a
2 very clever woman and did a very good job in this
3 connection.

4 MRS. DELL:

5
6 THE CHAIRMAN: Mrs. Dell, have you any
7 questions?

8 MRS. DELL: Could you tell me where these are
9 obtainable?

10 MRS. WILSON: Well, I imagine the --- it was
11 New York State legislation -- I suppose that is where
12 you would get it. Dr. Portia Campbell left this --

13 MR. SEDGEWICK: What is her first name?

14 MRS. WILSON: Persia --- P-E-R-S-I-A Campbell.

15 MR. SEDGEWICK: let's go over
16 and look into it, Mr. Chairman.

17 MRS. WILSON: I do feel she brought in this
18 legislation about 1957, and it was originally brought
19 in on automobile sales contracts, and she tried
20 terribly hard, frankly, to get the effective annual
21 interest expressed in terms of physical annual interest
22 in the legislation ---- the trouble there, but the
23 with the other things she brought in and she did get
24 a certain percentage of material in, consumer goods
25 in ---

26 But I think anybody doing this work would
27 be interested --- and since I'm talking about it, there
28 is one other --- I'm sorry to be doing all my talking
29 to you, but Dr. Wallace Moore of the --- he was with
30 the Federal Reserve Bank in Chicago and he is now head



very clever woman and did a very good job in this

THE CHAIRMAN: Mrs. Dell, have you any

questions?

MRS. DELL: Could you tell me where those are

obtained?

MRS. WILSON: Well, I suppose the -- it was

New York State legislation -- I suppose that is where

you would get it. Dr. Curtis Campbell felt that --

MR. SEDGWICK: What is her first name?

MRS. WILSON: Bernice -- R-2-2-1-A Campbell

MR. SEDGWICK: Let's go over

and look into it, Mr. Chairman.

MRS. WILSON: I do feel she brought in this

legislation about 1937, and it was originally brought

in the automobile sales contracts, and she tried

very hard, frankly, to get the effective amount

interest expressed in terms of physical amount in terms

in the legislation --- the trouble there, but she

with the other things she brought in and she did get

a certain percentage of material in connection with

in ---

But I think anybody doing on a week would

be interested --- and since I'm talking about it, there

is one other --- I'm sorry to be doing all my talking

about the automobile sales contracts and the legislation

the problem of the automobile sales contracts and the legislation



1 of the Banking Institute. He has written an awfully
2 good little book called "Consumer Credit Practice
3 tells the history --- gives the history of
4 consumer credit. It is extremely well done, I think.
5 It has been kind of my Bible.

6 MRS. DELL: Have you got any information
7 as to where it is obtainable?

8 MRS. WILSON: Yes. It is the Western
9 Reserve University, Cleveland.

10 MRS. DELL: Western Reserve University,
11 Cleveland?

12 MRS. WILSON: It is really very good.

13 MRS. DELL: And that is Dr. Wallace Moore?

14 MRS. WILSON: Mors --- M-O-R-S.

15 MRS. DELL: M-O-R-S ?

16 MRS. WILSON: Yes. But the thing that
17 in our organization, we are terribly -- we hope that
18 you will look into very carefully in including the
19 effective annual interest rate, because there is no
20 other way of doing a fair job of comparative shopping
21 and no matter if people are uninformed and illiterate
22 as this man Hillo. Black says in his
23 quotation. This makes no difference. It is our right.
24 Just the same as it is right to get correct change
25 when you change a dollar bill --- it is our right
26 to know exactly what the terms under which we are buying
27 are, and there is no other way of making this comparison
28 other than internal effects and interest. It is
29 difficult to do ourselves, but it can be done for us.
30 I did attend the banking committee in Ottawa when this



consumer credit. It is extremely well done, I believe.

It has been kind of my habit.

MRS. DEWITT: Have you any information

as to where it is obtained?

MRS. DEWITT: Western Reserve University?

Correctly?

MRS. WILSON: He is really very good.

MRS. DEWITT: And that is Dr. William Brown?

MRS. WILSON: More -- M-O-R-2.

MRS. DEWITT: M-O-R-2?

MRS. WILSON: Yes, and the other part.

In our organization, we are terribly -- we hope that

you will look into very seriously in including the

relative annual interest rate, because there is no

other way of doing a fair job of comparative financing

and no manner of people are unimpaired and I think

in this way. While I think you are in the

position. This makes no difference. It is my right.

Just the same as it is right to get answers, change

when you change a dollar bill -- it is our right.

to know exactly what one thing refers when we are

and, and there is no other way of making this comparison

other than to get at the source and interests. It is

the only way to get at the source and interests. It is

the only way to get at the source and interests. It is



1 was discussed, and I was told a dozen times that
2 they couldn't do it accurately, but the differences
3 were all practically under 1%, and as far as I am
4 concerned, I don't care whether the thing is 11% or
5 11½%, but I do care if it is 11% or 18%. This is the
6 sort of thing the practical consumer wants to know and
7 it does overcome this whole problem.

8 THE CHAIRMAN: Do you feel that within 1%
9 would be close enough?

10 MRS. WILSON: Oh, yes, within 1% as far as
11 the consumer is concerned is really plenty, and ---

12 MR. REILLY: I wonder if Mrs. Wilson would
13 tell me something about her association, the Consumers'
14 Association --- what constitutes the Consumers'
15 Association and what branches they have and what
16 membership they have --

17 MRS. WILSON: Oh, yes. I would be very glad
18 to. Well, at the end of the war --- as you will
19 remember -- the wartime prices and trade --- Trade Board --
20 had a consumer section. You probably remember this,
21 and this consumer section, a great many of these women
22 in Canada were working in connection with the rationing
23 and other consumer things, and this was, I think,
24 considered to be quite a successful project, and I
25 think the women of Canada were very justly proud.
26 When the war was over, if you will recall, there was
27 the matter of taking the controls off prices and there
28 was a great danger of inflation and oh, a great number
29 of things, and it was felt by women's organizations
30 all over Canada and really supported by the Government



... and I was told a dozen times that
... couldn't do it accurately, but the differences
were all practically under 1%, and as far as I am
concerned, I don't care whether the thing is 1% or
1 1/2%, but I do care if it is 1 1/2% or 1 3/4%. This is the
sort of thing the practical consumer wants to know and
it does overcome this whole problem.

THE CHAIRMAN: Do you feel that within 1%

would be close enough?

MRS. WILSON: Oh, yes, within 1% as far as

the consumer is concerned is really plenty, and --

MR. REILLY: I wonder if Mrs. Wilson would

tell me something about her association, the Consumers'

Association and what branches they have and what

membership they have --

MRS. WILSON: Oh, yes. I would be very glad

to. Well, at the end of the war --- as you will

remember --- the wartime prices and trade --- Trade Board

had a consumer section. You probably remember that

and this consumer section a great many of those women

in Canada were working in connection with the Red Cross

and other consumer things, and that was, I think,

considered to be quite a successful project, and I

think the women of Canada were very busy then.

When the war was over, as you will recall, there was

the matter of taking the controls off prices and those



1 too, that this organization should be continued as
2 a peace-time organization to represent the consumer
3 point of view, because after all, in government you
4 have farmers, you have labour, you have business,
5 and we are the fourth side, ~~represent~~ the person who
6 pays the price.

7 MR. REILLY: So are we, you know. We are
8 all ---

9 MRS. WILSON: Everyone does. That is why
10 are in rather ~~an~~ an advantageous position. We
11 are so badly organized, and we are so --- it is so
12 hard to describe what we are that very often we get --

13 MR. REILLY: How do you finance the
14 organization?

15 MRS. WILSON: Now I'm going to tell you.
16 When the war was over there was a fund of money left
17 from the Wartime Prices and Trade Board, Consumer
18 Section, and the Government gave us that to get going.
19 That was very quickly spent, because we thought
20 50,000 women would join the next week, and they didn't.
21 However, we then proceeded to have a fee of fifty
22 cents per woman and the --- we got grant in aid from
23 the Government of \$10,000.00 a year. We still get it.
24 Just the same as the Boy Scouts and the Girl Guides,
25 we get this grant in aid and I have never yet heard
26 anybody in any political party make the slightest
27 objection to it. It just seems to be very simple.
28 The suggestion has been made ---

29 MR. REILLY: The power of women, that is
30 the answer.



too, that this organization should be continued as
a peace-time organization to represent the consumer
point of view, because after all, in government you
have farmers, you have labour, you have business,
and we are the fourth side,
the person who
pays the price.

MR. KELLY: So are we, you know. We are

MRS. WILSON: Everyone does. That is why
are in rather an advantageous position. We
are so badly organized, and we are so -- it is so
hard to describe what we are that very often we get --
MR. KELLY: How do you finance the

MRS. WILSON: Now I'm going to tell you.

When the war was over there was a fund of money left
from the War-time Prices and Trade Board, Consumer
Section, and the Government gave us that to get going.
It was very quickly spent, because we thought
50,000 women would join the next week, and they didn't.
However, we then proceeded to have a rise of fifty
cents per woman and the --- we got going in aid from
the Government of \$10,000.00 a year. We still need it.
Just the same as the boy Scouts and the Girl Guides,
we get this grant in aid and I have never yet heard
anybody in any political party make the slightest
objection to it. It just seems to be very stupid.

The suggestion has been made ---
MR. KELLY: The power of women, that is



1 MRS. WILSON: Ah -- thank you. That is
2 very nice. Well, anyway ---

3 MR. REILLY: What membership do you have now
4 in this organization?

5 MRS. WILSON: We raised our fees till now
6 we are \$3.00, because we have just brought out a
7 testing magazine and am I ever glad to have had this
8 opportunity to tell you about it. We have just brought out a
9 testing magazine, but this is a big thing that we have
10 done, and we are now starting to charge \$3.00 a year
11 for the testing magazine, and we have about 25,000.

12 MR. REILLY:

13 MRS. DELL: And men are eligible now?

14 MRS. WILSON: Yes, gentlemen. Every one
15 of you can join.

16 MR. WHITE: Have you got application forms
17 with you?

18 MRS. WILSON: Oh, I
19 I could take your names quicker, you know, but this
20 is ---

21 MR. REILLY: Do you have a provincial setup
22 as well?

23 MRS. WILSON: Yes, yes. Oh, we have a
24 very excellent provincial set-up here in --- Esther
25 Galfinch, the President; Helen Morningstar is here
26 and we have an excellent group in Toronto, and we
27 have a provincial organization in each province.
28 Of course, they channel their work particularly toward
29 the provincial problems and we at national do the
30 national --- problems.



MRS. WILSON: All -- thank you. That is

very nice. Well, anyway ---

MR. REILLY: What membership do you have now

in this organization?

MRS. WILSON: We raised our dues till now

we are \$3.00, because we have just brought out a

testing magazine and am I ever glad to have had this

MR. REILLY: And how are things in the home?

MRS. DEER: And how are things in the home?

MRS. WILSON: Yes, gentlemen. Every one

of you can join.

MR. WHITE: Have you got applications to be

with you?

MRS. WILSON: Oh, I

will have your name put in, you know, and right

MR. REILLY: Do you have a provincial name?

as well?

MRS. WILSON: Yes, yes. Oh, we have a

very excellent provincial set-up here in -- Maine.

Reilly, the President, Mr. McLean, who is here

and we have an excellent group in Toronto, and we

have a provincial organization in each province.

the provincial problems and we at national in the

national --- problems.



1 MR. REILLY: You suggested certain things
2 that we should consider from the standpoint of
3 legislation. Have you considered education at all for
4 the consumer?

5 MRS. WILSON: This is what I think I said
6 in my brief, and which we are trying to do through our
7 bulletin every day of the week, and we realize we
8 have a tremendous job to do, because this silly old
9 notion that we should get unsecured money at 6% is
10 just nonsense, you know. But the thing is if people
11 do not understand that when --- for instance, they
12 borrow from the bank, let's say, and they think they
13 are getting unsecured loans at 6% from the bank, as
14 you all know --- it is almost 12%, and I -- far be it
15 for me to say much about the banks, but this is not
16 my subject today. Nevertheless, this is the sort of thing
17 really must be corrected some of these days, I hope.
18 Because ---

19 MR. LAWRENCE: Why don't you initiate a test
20 case?

21 MRS. WILSON: Yes, I think something should
22 be done. We are starting to do testing --- the point ---
23 the reason we are doing testing is simply
24 this: The lag between consumer information and the
25 present technological conditions in the merchandise
26 we are shopping for is so great we feel they are
27 doing a very inadequate job of educating consumers
28 about consumer goods without factual testing, and
29 so after two years of work our first testing magazine
30 came out this month, and we are just hoping it will be



that we should consider from the standpoint of
legislation. Have you considered anything of the sort?

MRS. WILSON: That is what I think I want

in my brief, and which we are trying to do through the
legislation every day of the week, and we want to do

have a tremendous job to do because that will give

notion that we should get unassured money at 5% to

just necessary, you know. But the thing is it will

do not understand that when -- for instance, when

borrow from the bank, let's say, and they think they

are getting unassured loans at 5% from the bank, it

you all know -- it is almost 10%, and I am sure

for me to say much about the matter, but this is not

my subject today. Nevertheless, it is one of the

really must be considered some of these days, I agree.

Because --

MR. LAWRENCE: Why don't you tell me a lot

James?

MRS. WILSON: Yes, I think something about

to come. We are sure to do better -- one of the

the reason we are doing better is that

the big business, business information, and

most technological, which is the way to

the way to get you to get you to get you to

and a very large number of people are

and a very large number of people are

and a very large number of people are

and a very large number of people are



1 a success. So far the men and women that have seen it
2 have been very, very friendly toward it and feel
3 we have done a good job. Incidentally, members of
4 the Ontario Research Foundation sit on our board in the
5 National Research Council. These men are giving their
6 time and money free to help us out.

7 MR. MacDONALD: How frequently do you plan to
8 bring out the test magazine?

9 MRS. WILSON: Every second month. It will
10 be six issues a year.

11 MR. LAWRENCE: Mr. Chairman, I think
12 Mrs. Wilson should know that the Progressive Government
13 of Ontario makes a ---- substantial contributions to
14 the association ---

15 MRS. WILSON: Oh, I was just going to tell
16 you that we get a grant from the Ontario Government
17 for our Ontario work. Also in Alberta, also in
18 Saskatchewan, I think --- in two or three, and really
19 I feel it is a piece of work that badly needs doing,
20 and particularly in this consumer credit field. We
21 do want people to use their money wisely in the
22 best interests of Canada.

23 THE CHAIRMAN: I am sure the members of this
24 Committee, some of them at least, I know I am one ---
25 haven't heard from anyone in your organization. I am
26 sure that they will be glad to know that this grant
27 you are getting is appreciated and useful --

28 MRS. WILSON: You just send to us for the
29 magazine now, all of you.
30 And is there is anything about the effect of



have had very many friends toward it and feel

the Ontario Research Foundation all on board in the

time and money free to help us out.

MR. McDONALD: Now frequently do you plan to

bring out the test magazine?

MRS. WILSON: Every second month. It will

be six issues a year.

Mrs. Wilson should know that the Progressive Government

of Ontario makes a -- substantial contribution to

the association --

MRS. WILSON: Oh, I was just going to say

you just we get a grant from the Ontario Government

for our Ontario work. Also for Alberta, also for

Manitoba. I think -- in two or three, and really

it is a piece of work that really needs doing.

and particularly in this country credit field. We

do want people to use their money wisely in the

best interests of Canada.

MR. McDONALD: I am sure the members of this

Committee, some of them at least, I know I am one --

haven't heard from you a lot of years ago. I am

sure that they will be glad to know that this fund



1 adding interest on it. This is one thing that went
2 terribly.

3 MR. LAWRENCE: Could we look forward to a
4 brief from your Ontario group and directed to the
5 field of endeavour in which the Committee is concerned.
6 Some of these things are not.

7 MRS. WILSON: Well no. Actually I don't
8 think up to this point the Ontario group has done any
9 particular work on this, although Miss Edna Parkes is
10 on the executive and she actually is teaching
11 consumer economics over at McMaster University, and
12 you know, quite a number of universities are now
13 preparing courses and giving courses. The University
14 of British Columbia gives a course on consumer
15 economics, and I am quite sure later on when you are
16 in a position to say they probably might do something ---
17 I don't know.

18 MR. NODEN: Mrs. Wilson, you say two of
19 our major endeavours are first --

20 MRS. WILSON: Consumer education.

21 MR. NODEN: Consumer education.

22 MRS. WILSON: You put this very well.

23 MR. NODEN: By that do you mean that
24 legislation should be brought in to create that?

25 MRS. WILSON: No. We feel that --- I think I
26 said someplace else ---

27 MR. NODEN: I think you have said ---

28 MRS. WILSON: No, and also that they --

29 MR. NODEN: --- go on to it that the credit
30 sales --- and repossession --- a lot of very small ---



adding interest on it. This is one thing that we

terribly.

MR. LAWRENCE: Could we look forward to a

brief from your Ontario group and directed to the

field of endeavor in which the Committee is concerned.

Some of these things are not.

MRS. WILSON: Well no. Actually I don't

think up to this point the Ontario group has done any

particular work on this, although Miss Edna Parker is

on the executive and she actually is teaching

consumer economics over at McMaster University, and

you know, quite a number of universities are now

proposing courses and giving courses. The University

of British Columbia gives a course on consumer

economics, and I am quite sure later on when you are

in a position to say they probably might do something --

I don't know.

MR. NORMAN: Mrs. Wilson, you say two or

three major endeavors are first --

MRS. WILSON: Not put this very well.

MR. NORMAN: By that do you mean that

legislation should be brought in to create that?

MR. WILSON: No. We feel that --- I think I

said something else ---

MR. NORMAN: I think you have said ---

MRS. WILSON: No, and also that they --

MR. NORMAN: --- go on to it that the credit



1 MRS. WILSON: That's right.

2 MR. NODEN: All right. That has been created
3 by fear of the individual knowing that repossession
4 follows.

5 MRS. WILSON: Right.

6 MR. NODEN: That is the education that has
7 been created by the seller. Now, I don't think that
8 is good education as far as the people are concerned.
9 Education should be the moral obligation of the
10 individual. At one time it was that when you borrowed
11 money, that your word represented 95% of that
12 obligation, 5% was security. Today it has reversed
13 itself. Now, is this the education that ---

14 MRS. WILSON: Well, certainly we feel that
15 there should be education as the people's moral
16 obligation. We also feel people should be educated to
17 assess their needs and their salary and decide what
18 they can afford. The credit contracts they can
19 afford to go into. We think there is a tremendous amount
20 of ignorance in the ---

21 MR. NODEN: How do you go about this?

22 MRS. WILSON: Well, we are trying to do it
23 through our publication and we hope that credit granters
24 will also help us to do this sort of thing and retail
25 stores themselves. We feel that all these people
26 should be contributing to educating the public as to
27 what they can afford to do in the way of credit buying.
28 Mind you, we are not opposed to it. If my baby
29 needed milk and I hadn't a refrigerator, I suppose no
30 matter how much of my husband's salary it took to get



MR. WOMEN: And right. That has been created

by fear of the individual knowing that reputation

MR. WOMEN: That is the education that has

been created by the seller. Now, I don't think that

is good education as far as the people are concerned.

Education should be the moral obligation of the

individual. At one time it was that when you borrowed

obligation, it was security. Today it has reversed

itself. Now, as this the education that ---

MRS. WILSON: Well, certainly we need that

there should be education as the people's moral

obligation. We also feel people should be educated in

business their needs and their salary and device when

they can afford. The credit countries they can

afford to go into. We think there is a tremendous amount

of ignorance in the ---

MR. WOMEN: How do you go about that?

MRS. WILSON: Well, we are trying to do it

through our publication and we hope that credit countries

will also help us to do this sort of thing and we will

store ourselves. We feel that all these people

should be concentrating on educating the public as to

what they can afford to do in the way of credit buying

that you, we are not opposed to it. If my dear

friend and I hadn't a partnership, I suppose no

matter how much of my husband's salary it took to get



1 that refrigerator, I would probably buy it. I don't
2 think anybody could set a hard and fast rule about this,
3 but I do think that we need a great deal more intelligence
4 in shopping and spending our consumer dollars, and I
5 think this is a job that is ours and we quite definitely
6 appreciate it, and we look for legislation in the
7 matter of fair credit contracts. Credit contracts which
8 will give all the information which is necessary.

9 MR. NODEN: That is by legislation.

10 MRS. WILSON: This is yours. This is the
11 legislation which I think.

12
13

14 THE CHAIRMAN: Your interest is entirely
15 in retail sales?

16 MRS. WILSON: Pardon?

17 THE CHAIRMAN: You are interested entirely
18 in retail sales?

19 MRS. WILSON: No. We have nothing to do with
20 the wholesale market at all. Just the purchaser
21 shopping who completes her purchase and has to go ---
22 has to have credit and credit installment plan of
23 some sort to carry the merchandise. And the thing
24 that concerns us is that sometimes the amount paid
25 down is not sufficient and that the terms are not
26 always fair to the purchaser as I have stated, and
27 a number of things I have suggested at the end I am
28 not sure how much they apply in this province, but
29 simply one that has been suggested to us that
30 should be interest contract of one sort of another.



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

anybody could see a hard and fast rule about this, but I do think that we need a great deal more intelligence in shopping and spending our consumer dollars, and I think this is a job that is ours and we quite definitely appreciate it, and we look for legislation in the matter of fair credit contracts. Credit contracts which will give all the information which is necessary.

MR. WILSON: That is my legislation.

MRS. WILSON: This is yours. This is the legislation which I think.

THE CHAIRMAN: Your interest is entirely in retail sales?

MRS. WILSON: Yes, sir.

THE CHAIRMAN: You are interested entirely in retail sales?

MRS. WILSON: No. We have nothing to do with the wholesale market at all. Just the phenomenon shopping who completes her purchase and has to do with has to have credit and credit installment plan of some sort to carry the merchandise. And the thing that concerns us is that sometimes the amount paid down is not sufficient and that the terms are not always fair to the purchaser as I have noted, and a number of things I have suggested at the end I am not sure how much they apply in this province, but I think that has been suggested to us that should be first of all sort of a program.



1 And the thing we do feel that we will never have an
2 informed consumer until the percentage is stated on
3 the contract. It is quite amazing ---

4 MR. SEDGEWICK: Is that in view of Senator
5 Croll's Bill---

6 MRS. WILSON: We supported Senator Croll's
7 Bill.

8 MR. SEDGEWICK: In form it satisfied you?
9 Bill?

10 MRS. WILSON: Pardon?

11 MR. SEDGEWICK: Its form?

12 MRS. WILSON: In its present form, yes.
13 The first one we felt was probably a bit --- he has
14 reduced this a good deal, you know.

15 MR. SEDGEWICK: Yes, I know.

16 MRS. WILSON: But in the present form we
17 are supporting it. May I just once quickly --- we did
18 a survey on chesterfield sets, and tell me --- you can
19 tell me which is more expensive. The cash price of
20 one chesterfield was \$350.00; another chesterfield
21 which was somewhat like it, but not quite as good which
22 we considered was \$315.00. The down-payment in each
23 case was \$30.00.

24

25

26

27

28

29

30



...to do feel that we will never have an
informed consumer until the percentage is stated on
the label.

MR. SEDGWICK: Is that in view of Senator

Bill.

MR. SEDGWICK: In form it estimates your

MR. SEDGWICK: The fact?

MRS. WILSON: In its present form, yes.

The first one we felt was probably a bit --- he has

MR. SEDGWICK: Yes, I know.

MRS. WILSON: But in the present form we

are supporting it. May I just once quickly --- we did

a survey on Chesterfield ads. and felt we --- you can

see we wish is more expensive. The cash price of

which was somewhat like it, but not quite as good which

The down-payment in each



28/25/RPS 1 The monthly payments for two years of the more expensive
2 one was \$15.60; the montly payments for two years of the
3 less expensive one was \$14.25. The total amount of money
4 paid for the more -- in instalment payments -- for the
5 more expensive one was \$374.00, and for the cheaper one
6 was \$342.00. Now, with all that information, which was
7 the best buy as far as the credit?

8 I'll tell you.

9 The rate of charge for the expensive one was
10 16 per cent; the rate of charge for the cheap one was
11 19. Three per cent difference. Now who could possibly
12 have known that without having the effective annual interest
13 rate? You see, in this case, just the cash payment was
14 different -- the cash price. This is the sort of thing
15 which we are trying very hard to help people with.

16 THE CHAIRMAN: Have you any other cases you
17 would like to . . .

18 MRS. WILSON: Well, the other thing is in
19 connection with our the bill financing, and for some
20 other things. Do you feel that it is terribly important
21 to have the effective annual interest rate stated? We
22 looked at one survey of automobiles -- new automobiles
23 in this particular group -- it was 16 per cent; one year
24 old automobiles were 22 per cent; a used car dealer, who
25 was not a reputable dealer -- you know -- it was 32 -
26 per cent. Do you see the difference?

27 We did a bit of shopping, and according to the
28 Senate Hansard, -- a home furnishing company, a \$350.00
29 item was twenty-five and a half per cent.
30 At Simpsons for a bedroom set was 15 per cent.



The monthly payments for two years of the more expensive

paid for the more -- in instalment payments -- for the

more expensive one was \$374.00, and for the cheaper one

was \$342.00. Now, with all this information, which was

the best buy as far as the credit?

The rate of charge for the expensive one was

10 10 per cent; the rate of charge for the cheap one was

11 10. Three per cent difference. Now who could possibly

12 have known that without having the effective annual interest

13 rates? You see, in this case, just the cash payment was

14 different -- the cash price. This is the sort of thing

15 which we are trying very hard to help people with.

16 THE CHAIRMAN: Have you any other cases you

17 would like to . . .

18 MRS. WILSON: Well, the other thing is in

19 connection with our bill financing, and for some

20 other things. Do you feel that it is terribly important

21 to have the effective annual interest rate stated? We

22 looked at one survey of automobiles -- new automobiles

23 in this particular group -- it was 10 per cent; and when

24 old automobiles were 22 per cent; a used car dealer, who

25 was not a reputable dealer -- you know -- it was 32

26 per cent. Do you see the difference?

27 We did a bit of shopping, and according to the

28 Senate Hearings, a home furnishing company, a \$200.00

29 item was twenty-five and a half per cent.



1 And an appliance store, the same thing
2 practically, 31 per cent. So, you have to do it percentage
3 wise, that is all. And, I think the other thing
4 I would like to say is simply this, that we think that
5 in the matter of education, the people should not use
6 credit when they are buying things at cost, a small amount
7 of money for a short time.

8 MR. REILLY: Aren't you going to try to change
9 the habits of people in this way?

10 MRS. WILSON: Well you have to. This is
11 education.

12 MR. REILLY: Well, you have tackled a job.

13 MRS. WILSON: Well don't you think we should
14 get on with it?

15 MR. REILLY: Not this way, no. You are trying
16 to tell the retailers -- well, when you come into our
17 stores, what we will do is, we will put up signs "Don't
18 buy this unless you can afford to buy it". Make sure . . .

19 MRS. WILSON: Now listen -- we are not going
20 to tell the retailers that, but we are going to ask
21 legislation to say if you can't afford ten per cent,
22 perhaps you had better not buy it.

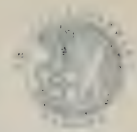
23 MR. REILLY: Well, I won't do this!

24 MRS. WILSON: Huh?

25 MR. REILLY: I won't do it. I won't tell people
26 what to do with their money. If they earned it, they
27 have the right to spend it.

28 MRS. WILSON: Even if we -- if we have problems
29 afterwards?

30 MR. REILLY: Yes! If they are of age -- if they



practically, 31 per cent. So, you have to do it practically
wise, that is all. And, I think the other thing
I would like to say is simply this, that we think that
in the matter of education, the people should not get
credit when they are buying things at cost, a small amount
of money for a short time.

MR. REILLY: Aren't you going to try to change

MRS. WILSON: Well, you have to. This is

MR. REILLY: Well, you have decided a job

MRS. WILSON: Well, don't you think we should

Get on with it?

MR. REILLY: Not this way, no. You are trying

to tell the retailers -- well, when you come into our

stores, when we will do it, we will put up signs "Don't

buy this unless you can afford to pay it". Make sure.

MRS. WILSON: Now listen -- we are no. Good.

to tell the retailers that, but we are going to

legislation to say if you can't afford ten per cent,

MR. REILLY: Well, I want to know

MRS. WILSON: Huh?

MR. REILLY: I want to do it. I want to tell people

what to do with their money. If they earned it, they

have the right to spend it.

MRS. WILSON: Even if we -- if we have

afforded?

MR. REILLY: Yes! If they are of



1 have turned 21; they have created the problems -- they
2 know what to do with the money, Mrs. Wilson.

3 MRS. WILSON: Don't you think though they should
4 be advised by people like us not to accept credit for
5 small amounts, like \$20.00 and \$25.00?

6 MR. REILLY: I think that as far as people
7 are concerned, if they know what they have earned, the
8 money, and there is something that they want and it is
9 something that they need, whether it is a needle or a
10 wallet, and they have decided to fight for it, then they
11 know what can be done -- what they can pay for and how
12 they can pay for it. This is a decision . . .

13 MRS. WILSON: But they don't know -- they don't
14 know what they are paying for.

15 MR. REILLY: You have to start at the age of
16 3 to tell them. Not at the age of 33 or 53.

17 MRS. WILSON: Listen! Unless you give them the
18 effective annual interest rate, then they don't . . .

19 MR. REILLY: They don't know what it is when
20 you give them the effective annual interest rate.

21 MRS. WILSON: Well, don't you think you should
22 give them a chance?

23 MR. REILLY: All they want to know is can they
24 afford to pay for it, the dollars on it.

25 MRS. WILSON: Listen -- I think that any two
26 people entering into a contract as far as possible, they
27 should have equal knowledge. They should be peers,
28 as far as possible.

29 MR. REILLY: You will never get it.

30 MRS. WILSON: Well, maybe not, but I am on my way.



you will never get it.

as far as possible

should have equal conditions. They should be better.

people entering into a contract as far as possible, they

MRS. WILSON: I think the law two

afford to pay for it, the dollars on it.

MR. REED: All they want to know is can they

give them a check?

MRS. WILSON: Well, don't you think you should

and give them the effective annual interest rate.

MR. REED: They don't know what it is when

effective annual interest rate, then they don't

MRS. WILSON: I agree. Unless you give them the

to tell them. Not at the age of 18 or 21.

MR. REED: You have to start at the age of

know what they are paying for.

MRS. WILSON: But they don't know -- they don't

they can pay for it. This is a decision.

know what can be done -- what they can pay for and how

wallet, and they have decided to fight for it, when they

something that they need, whether it is a needle or a

money, and there is something that they want and it is

are concerned, if they know what they have earned, the

MR. REED: I think that as far as people

small amounts, like \$20.00 and \$25.00?

be advised by people like as not to accept credit for

MRS. WILSON: Don't you think through they should

know want to do with the money, like Wilson.



1 (Laughter.)

2 THE CHAIRMAN:

3 MR. MacDONALD: This is what I call free enterprise
4 on the rampage.

5 (Laughter.)

6 MRS. WILSON: I believe in democracy, and to me,
7 this is democracy.

8 MRS. LAWRENCE: Sure it is, if you have done
9 any research I was wondering if you had done any research
10 or survey into the difference between retail organizations
11 that control their own credit system, as against those
12 that sell the paper in trade?

13 MRS. WILSON: Well, I think --

14 MR. LAWRENCE: There is one admonition in your
15 very admirable booklet there, warning people that these
16 revolving credits are not very good.

17 MRS. WILSON: Yes.

18 MR. LAWRENCE: And that in the figures you gave
19 there in relation to the furniture dealer
20 and the well-known ...

21 MRS. WILSON: Yes, well, these weren't this --
22 I wasn't -- the difficulties of the revolving credit accounts,
23 you know how they work, of course, You can buy up to a
24 certain amount within a month and, one of the things that
25 we find is a problem for people is that they become tied
26 to the store. That is, if I have a credit for \$200.00
27 at John Blow's store, and I have spent all my money, and
28 I haven't got money to buy a dress that week, I have to
29 buy my dress there, because that is the place I have the
30 credit. So, the comparative shopping is not very good.



THE CHAIRMAN:

MR. McDONALD: This is what I call free enterprise

on the rampage.

(Laughter.)

MRS. WILSON: I believe in democracy, and so we

I was wondering if you had some any reason
or survey into the difference between retail organizations

that sell the paper in trade?

MRS. WILSON: Well I think --

MR. LAWRENCE: There is one admonition in your

revolving credits are not very good.

MRS. WILSON: Yes.

MR. LAWRENCE: And that in the figures you gave

there in relation to the furniture dealer

and the well-known ...

MRS. WILSON: Yes, well, these weren't this --

I wasn't -- the difficulties of the revolving credit

you know how they work, of course. You carry on as to a

certain amount within a month and, one of the things that

we find is a problem for people is that they become tied

to the store. That is, if I have a credit for \$200.00

at John Brown's store, and I have spent all my money, and

I haven't got money to buy a dress that week, I have to

wait until I have the money to buy the dress. I have to

wait until I have the money to buy the dress. I have to



1 in an instance like that. And, another thing is, on the
2 balance is not paid at the end of the month, you pay one
3 and a half per cent per month, which is 18 per cent.

4 MR. LAWRENCE: Do you find in your research
5 into . . .

6 MRS. WILSON: There is a lot of people using it.

7 MR. LAWRENCE: Do you find in your research
8 that this is worse on the consumer than would be the case
9 where . . .

10 MRS. WILSON: Yes, yes.

11 MR. LAWRENCE: . . . as a small retailer sells
12 the paper to an acceptance company.

13 MRS. WILSON: Yes, yes. Well, listen.

14 As far as revolving credit accounts is; this means
15 that you can go into a department store and buy your
16 groceries this way. You can buy your bobby-pins this
17 way. These little things which a good housekeeper --
18 a good manager of the family income should have sufficient
19 cash for during the month. She actually is buying, using
20 her revolving credit account.

21 Now, so far as -- in case of cars. Some of us
22 know the big car companies have their own acceptance
23 corporations and their own insurance companies, so they
24 are doing it very well. And, as is drawn to our attention
25 many times, some firms actually make more money selling
26 credit than they do selling the merchandise. Now, I
27 remember -- I was going to a credit men's meeting a
28 few years ago in Montreal, and a gentleman from the
29 East End of Montreal was talking, and he said that he
30 could sell this, and this, and this at a dollar per month



in an instance like that. And, another thing is, on the

balance is not paid at the end of the month, you pay one

and a half per cent per month, which is 18 per cent.

MR. LAWRENCE: Do you find in your research

MRS. WILSON: There is a lot of people taking it

MR. LAWRENCE: Do you find in your research

that this is worse on the consumer than would be the case

MR. LAWRENCE: Yes, yes, well, listen.

As far as revolving credit accounts is; this means

that you can go into a department store and buy your

groceries this way. You can buy your baby-dolls this

way. These little things which a good housekeeper --

a good manager of the family income should have sufficient

cash for during the month. She actually is buying, using

her revolving credit account.

Now, so far as -- in case of cars. Some of us

know the big car companies have their own associations

and their own insurance companies, so they

are doing it very well. And, as is known to our attention

many times, some firms actually take more money selling

credit than they do selling the merchandise. Now, I

remember -- I was going to a credit men's meeting a

few years ago in Montreal, and a gentleman from the

East End



1 you see, and I said "How about the cash price?" Well, he
2 said "We don't say too much about that." And I said,
3 "Well, how about your cash sales?" Well, he said to me
4 "We never sell none for cash, never." He did absolutely
5 no -- but he said every Saturday morning when they come
6 in to shop, we givethem donuts and coffee, you see.

7 Now, this to me is a typically ignorant person shopping.

8 MR. REILLY: It may be, but there is a lot of
9 them.

10 MRS. WILSON: Right you are. Far too many for
11 the good of Canada.

12 THE CHAIRMAN: I think what Mrs. Wilson is
13 pointing out is that they must be given some protection,
14 so that they can determine whether they are making a good
15 buy or not.

16 MRS. WILSON: Don't you think they have the
17 right to be protected?

18 MR. MacDONALD: Mr. Reilly wants to perpetuate
19 a condition in which there will be a sucker to be caught
20 every minute.

21 MR. REILLY:
22 If you start at age 3 or 4 or 5; start there,
23 you aren't going to change the habits of people in the
24 35, 40 to 50 age, are you?

25 MR. MacDONALD: Sure you will.

26 MRS. WILSON: But . . .

27 MR. REILLY: You are? Give them the information
28 and let them make the decision. This is the argument
29 I have.

30 MRS. WILSON: This is the only -- this is the
only thing I am asking for.



1 said "We don't say too much about that," and I said,
2 "Well, how about your cash sales?" Well, he said to me
3 "We never sell none for cash, never." He did occasionally
4 no -- but he said every Saturday morning when they come
5 in to shop, we give them donuts and coffee, you see.
6
7
8 MR. PHILLIPS: It may be, but there is a lot of
9
10 MRS. WILSON: Right you are. War too many for
11
12 THE CHAIRMAN: I think what Mrs. Wilson is
13
14
15
16
17
18
19
20
21 MR. PHILLIPS: If you start at age 3 or 4 or 5; start there.
22 you aren't going to change the habits of people in the
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40



1 MR. LAWRENCE:

2 MRS. WILSON: Full information.

3 MR. LAWRENCE:

4 MR. REILLY: I will go along with that.

5 MR. WILSON: Oh, I just knew you would.

6 (Laughter.)

7 MR. MacDONALD: I would. Our job, Mr. Chairman, is
8 to try to persuade Len to go along with a little bit of
9 legislative and backing for it.

10 MR. REILLY: No, I am not going to do that,
11 Mr. MacDonald. I think that as far as the government
12 is concerned, that too often it has interfered with
13 business. Too often and too long, too much. We want
14 to keep the government out of business as far as control
15 is concerned. As far as I am concerned, I am going to
16 try to do that.

17 MRS. WILSON: Well listen, are you going to try
18 and not tell the effective annual interest rate on the
19 contract?

20 MR. REILLY: On the annual interest rate?
21 Reveal everything, surely. Let the purchaser know what the
22 is paying.

23 MRS. WILSON: Well, I am for it a hundred
24 per cent.

25 MR. REILLY:

26 THE CHAIRMAN:

27 MR. REILLY:
28 disclosure and regulations.

29 MRS. WILSON: Yes. I think the point I am
30 particularly interest in is disclosure. Regulation is,



MR. LAWRENCE:

MRS. WILSON: Full information.

MR. LAWRENCE:

MR. REILLY: I will go along with that.

MR. WILSON: Oh, I just knew you would.

(Laughter.)

MR. MACDONALD: Our job, Mr. Chairman, is

MR. REILLY: No, I am not going to do that.

MR. MACDONALD: I think that as far as the government

is concerned, that too often it has interfered with

business. Too often and too long, too much. We want

as far as I am concerned, I am going to

try to do that.

MRS. WILSON: Well, listen, are you going to try

and not tell the effective annual interest rate on the

company?

MR. REILLY: On the annual interest rate?

Reveal everything, surely. Let the promoter know what he

is paying.

MRS. WILSON: Well, I am for it a hundred

MR. REILLY:

THE CHAIRMAN:



1 I know, a provincial matter, rather specially with the
2 conditional sales contract.

3 MR. REILLY: Some of them claim to be federal.

4 MRS. WILSON: Well interest -- the point about
5 it is, that the situation in Ontario is pretty grave now since
6 Barfield Enterprise case you know, where this was thrown out
7 of the Ontario Court of Appeal, simply because they
8 considered that the bonus was interest, which it probably
9 is. But, I understand that the Supreme Court has been
10 asked by the Ontario Government to give a decision last
11 week, so that we will get a decision on this and find out
12 whether it belongs to you or Ottawa.

13 MR. WHITE: Mr. Chairman, might I ask -- Mrs.
14 Wilson is a very knowledgeable woman. Maybe she could
15 help me with a question which has occurred to me in
16 recent weeks.

17 The Province of Manitoba passed legislation
18 requiring clear declaration of simple annual interest.

19 MRS. WILSON: They are not playing.

20 MR. WHITE: Then withdrew it back away from
21 that. Do you know why . . .

22 MRS. WILSON: Yes. We think it was -- after
23 the Barfield Enterprise case came up, and we think
24 Mr. Robins -- if that case is brought back and it becomes
25 the jurisdiction of the Province, they will probably put
26 it back in again. In addition to that, of course, being
27 in business I read the newspaper clippings, and
28 a lot of business interests were pressing him not to
29 proclaim that part of the Act.

30 But, in the Province of Alberta, they have



1 I know, a provincial matter, rather especially with the
2 conditional basis concept.

3 MR. REID: Some of them claim to be federal.

4 MRS. WILSON: Well interest -- the point about

5 it is, that the situation in Ontario is pretty grave now

6 of the Ontario Court of Appeal, simply because they

7 considered that the bonus was interest, which is probably

8 is. But, I understand that the Supreme Court has been

9 asked by the Ontario Government to give a decision

10 week, so that we will get a decision on this and find out

11 whether it belongs to you or Ottawa.

12 MR. WHITE: Mr. Chairman, might I ask -- Mrs.

13 help me with a question which has occurred to me in

14 recent weeks.

15 The Province of Manitoba passed legislation

16 requiring clear declaration of simple annual interest.

17 MRS. WILSON: They are not playing.

18 MR. WHITE: Then withdrew it back away from

19 that. Do you know why?

20 MRS. WILSON: Yes. We think it was -- after

21 the Barfield Interprovincial case came up, and we think

22 Mr. Hooper -- if that case is brought back and it is

23 the jurisdiction of the Province, they will probably not

24 it back in again. In addition to that, of course, being

25 in business I read the newspaper slightly, and

26 a lot of business interests were pressing him

27 to do it.



1 it either/or. Either you must give the lump sum -- the
2 cost of the credit, or, the effective annual interest
3 rate. We actually have, in Quebec. . . . Pardon?

4 MR. LAWRENCE: That isn't in effect yet
5 either.

6 MRS. WILSON: It has never been challenged,
7 and the interesting thing -- another interesting thing
8 is that in 1957, there was a piece of legislation in
9 the Province of Quebec, saying that you must have 15
10 per cent of the cost of the credit of the merchandise
11 must be in cash, and the rate was stated, and, I think,
12 the contract could only be two years. I have been
13 interested in this, and I wended my way up to the
14 McGill law school and had a long talk with the clerk,
15 and we looked, , and there hadn't been one decision
16 ever, based on that case. Now that's Quebec.
17 Now, maybe there has been one this year. This was a year
18 ago I went up there, and there had never been a decision
19 based on this. So, this has been a very ticklish subject
20 for a long time, and I think that it is time the Supreme
21 Court told us where we were at. But, I was interested,
22 because I heard an acceptance corporation
23 quoting this Quebec law, and that was when I went up to
24 have a look.

25 MR. LAWRENCE: Is it important, do you think?

26 MRS. WILSON: There has never been a decision
27 based on it.

28 MR. LAWRENCE: So I mean does the provincial
29 administration enforce it?

30 MRS. WILSON: Well, I don't know that it enforces



1 11:15 AM, I have just received the following information from the
2 11:15 AM, I have just received the following information from the
3 11:15 AM, I have just received the following information from the
4 11:15 AM, I have just received the following information from the
5 11:15 AM, I have just received the following information from the
6 11:15 AM, I have just received the following information from the
7 11:15 AM, I have just received the following information from the
8 11:15 AM, I have just received the following information from the
9 11:15 AM, I have just received the following information from the
10 11:15 AM, I have just received the following information from the
11 11:15 AM, I have just received the following information from the
12 11:15 AM, I have just received the following information from the
13 11:15 AM, I have just received the following information from the
14 11:15 AM, I have just received the following information from the
15 11:15 AM, I have just received the following information from the
16 11:15 AM, I have just received the following information from the
17 11:15 AM, I have just received the following information from the
18 11:15 AM, I have just received the following information from the
19 11:15 AM, I have just received the following information from the
20 11:15 AM, I have just received the following information from the
21 11:15 AM, I have just received the following information from the
22 11:15 AM, I have just received the following information from the
23 11:15 AM, I have just received the following information from the
24 11:15 AM, I have just received the following information from the
25 11:15 AM, I have just received the following information from the
26 11:15 AM, I have just received the following information from the
27 11:15 AM, I have just received the following information from the
28 11:15 AM, I have just received the following information from the
29 11:15 AM, I have just received the following information from the
30 11:15 AM, I have just received the following information from the



1 or not. Nobody has ever challenged it, and certainly
2 there has never been an infringement of it. Maybe all
3 the companies are so good they don't infringe, but that
4 is not true at all.

5 MR. LAWRENCE: Well, I mean Simpson's here . . .

6 MRS. WILSON: Well, I mean in Montreal
7 no down payment on this

8 MR. LAWRENCE: Obviously, that is not . . .

9 MRS. WILSON: Never, it is just a dead letter,
10 I am afraid.

11 MR. REILLY: Mr. Chairman, I know that it
12 was your intention to bring in some, or attempt to bring
13 in some finance corporation representations later on,
14 I was wondering in view of Mrs. Wilson's remarks about
15 revolving credit accounts, perhaps
16 we could bring in a few department stores.

17 MRS. WILSON: Yes, this is . . quite different.

18 THE CHAIRMAN: Well, we had that in mind.

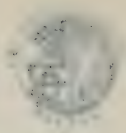
19 MRS. WILSON: Yes, yes. The finance companies --
20 perhaps they don't have ---

21

22 And I think there is some operating very ethically. I
23 think there is some that are on the fringe, perhaps.

24 THE CHAIRMAN: Your objection is that it ties
25 the purchaser in too much to one place?

26 MRS. WILSON: Yes. You see, just the same way
27 as in the old days when you have charge accounts at the
28 grocery store. You always went to that grocery store,
29 because you had no money left when father paid the bills
30 at the end of the month. You see what I mean?



there has never been an infringement of it. Maybe all the companies are so good they don't infringe, but that is not true at all.

MR. LAWRENCE: Well, I mean Simpson's here.
MRS. WILSON: Well, I mean in Montreal.

no down payment on this

MRS. WILSON: Never, it is just a good letter.

I am afraid.

MR. REILLY: Mr. Chairman, I know that it

was your intention to bring in some, or attempt to bring

in some finance corporation representations later on,

I was wondering in view of Mrs. Wilson's remarks about

revolving credit accounts, perhaps

we could bring in a few department stores.

MRS. WILSON: Yes, this is a quite different

THE CHAIRMAN: Well, we had that in mind.

And I think there is some operating very ethically. I

think there is some that are on the fringe, perhaps

THE CHAIRMAN: Your objection is that it ties

the purchaser in too much to one place?

MRS. WILSON: Yes, You see, just the same way

as in the old days when you have charge accounts at the

grocery store. You always went to that grocery store,

and no more; left when father paid the bills



1 Now, this does tie you to the store. There is
2 no question about it. And anyway, 18 per cent of the
3 balance!

4 MR. REILLY: What is the suggestion there,
5 Mrs. Wilson?

6 MRS. WILSON: To be tied to the store?

7 MR. REILLY: Yes.

8 MRS. WILSON: I think it is a very bad thing.
9 I believe in comparative shopping.

10 MR. REILLY: How would you discontinue it?

11 MRS. WILSON: Listen. If I saw a fur in
12 store A and a fur in store B, and the one in A is cheaper
13 than the one in B, I would hope to go to A. But, if I
14 had a revolving account in B and I wanted that fur
15 awfully badly, I would go and buy it in B anyway. Now
16 this is what is wrong.

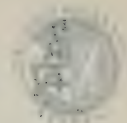
17 MR. REILLY: Why don't you have a revolving
18 account in both of them?

19 MRS. WILSON: Oh! How on earth would we ever
20 raise an account to send our children to college?

21 (Laughter.)

22 No -- I

23 Another thing which we find which sometimes
24 is rather bad, is this -- what they speak of as ballooning.
25 Sometimes when a person has half a dozen finance companies
26 they owe money to, it is re-financed by one person, and
27 they pay so much per month. The last month, often, is
28 a very large payment which they are not able to meet.
29 And, in that case, very often, the person has to go ahead
30 and re-finance again. Now this is a horrible trick and



question about it. And anyway, 18 per cent of the

balance!

MR. REILLY: What is the suggestion there,

Mrs. Wilson?

MRS. WILSON: To be tied to the money?

MR. REILLY: Yes.

MRS. WILSON: I think it is a very bad thing.

I believe in comparative shopping.

MR. REILLY: How would you discuss this?

MRS. WILSON: Lapsed. If I saw a fur in

store A and a fur in store B, and the one in store B is cheaper

and the one in store A is better, I would go to store A.

MR. REILLY: (Laughter) That is a very good example.

MR. REILLY: I would go and buy it in B anyway. Now

the question is, is it a very good example?

MR. REILLY: Why don't you have a meeting?

MR. REILLY: (Laughter) Yes.

MRS. WILSON: Oh! How on earth would we ever

get a meeting together? It is impossible.

(Laughter.)

No -- I

Another thing which we find which is common

is a common bad, is this -- what they speak of as politicians

Sometimes when a person has half a dozen friends and

they owe money to, is he influenced by one person, and

they pay so much per month. The last month, often, is

very large payment which they are not able to meet.

In that case, very often, the person has to go ahead

and pay the money.



1 done by unethical finance organizations. They call it
2 ballooning.

3 MR. REILLY: Well it is even done by the
4 ethical finance bonuses.

5 MRS. WILSON: No. I have tried to be very
6 carefully.

7 MR. REILLY: The balloon on the end is a . . .

8 MRS. WILSON: The balloon on the end is a
9 very questionable -- this is another thing I would hope
10 you would give consideration to, this bologna.

11 Is there anything else?

12 THE CHAIRMAN: Mr. Irwin has a question or two.

13 MR. IRWIN: Oh, nothing very profound. Your
14 testing magazine -- will it follow something of the
15 pattern of the consumers' magazine in the United States?

16 MRS. WILSON: Yes, it will. Actually, we, you
17 know, has done some testing in Canada. It is for
18 this reason that we know Dr. Kaltenborn, pres-
19 ident of the Consumers' Union very well, and this same
20 Dr. Campbell is on their board. We are in very
21 close touch with them. Also in touch with the Consumers'
22 Association of Great Britain, which puts out a little
23 magazine which they have been supporting us and helping
24 us to get going in a really responsible way. We didn't
25 want to do a fly-by-night thing, of course, and the
26 trouble in the United States is simply this: If the
27 trade, let's say it is a Westinghouse stove. If you buy
28 a stove for domestic consumption and buy what appears
29 to be the same stove in Canada, it will not be the same.

30 In other words, the products for domestic



ballooning.

MR. REILLY: Well it is even done by the

MRS. WILSON: No. I have tried to be very

carefully.

MR. REILLY: The balloon on the end is a . . .

MRS. WILSON: The balloon on the end is a

very questionable -- this is another thing I would hope

is there anything else?

THE CHAIRMAN: Mr. Lewis has a question or two

MR. IRWIN: Oh, nothing very profound. Your

MRS. WILSON: Yes, it will. Actually, we, you

this reason that we know Dr. Kaiterboro.

Dr. Campbell is on their board. We are in very

close touch with them. Also in touch with the Command

Association of Great Britain, which give out a little

magazine which they have been supporting us and helping

us to get going in a really responsible way. We didn't

trade, let's say it for a Washington stove. It was buy

it will not be the same, it will not be the same.



1 consumption, and the products for export are different,
2 and Consumers' Union has run into this trouble. Because
3 you see, they have had all manner of complaints from
4 their readers that the -- what they had -- the evaluation
5 they placed on the piece of merchandise was not the
6 same as it proved to be to the demand wasn't the same as
7 it was in the United States. Now, this problem has been
8 a constant source of trouble to Consumers' Union, which
9 I consider is a very fine, co-operate effort. And so,
10 they are very anxious to see us get on with this. In
11 fact, we had a conference last summer, and they gave us
12 a thousand dollars to bring people to the conference
13 to talk about the testing.

14 MR. MacDONALD: Well, do I conclude from this
15 then, that there is going to be a co-ordination of your
16 activity with Consumers' Union?

17 MRS. WILSON: No, not -- I don't know what is
18 in the future. But, my feeling would be that if we
19 become strong enough, someday, the Consumers' Union may
20 get out of the Canadian market altogether. This is just
21 "maybe".

22 MR. MacDONALD: But at the moment they . . .

23 MRS. WILSON: At the moment they give us their
24 blessing.

25 MR. MacDONALD: Is there an attempt though,
26 in your testing to, in effect, supplement the testing
27 that they are doing in the United States?

28 MRS. WILSON: No; but if we are testing -- In
29 our first -- just to show you how necessary this is.
30 We did drills, hand-drills, you know, electric drills in



...tion, and the products for export are different.
 and Consumers' Union has run into this trouble. Because
 their readers that the -- what they had -- the evaluation
 they placed on the piece of merchandise was not the
 same as it proved to be. That's what wasn't the same as
 a constant source of trouble to Consumers' Union, which
 I consider is a very fine, co-operative effort. And so,
 they are very anxious to see us get on with this. In
 fact, we had a conference last summer, and they gave us
 a thousand dollars to bring people to the conference

MR. MacDONALD: Well, do I conclude from this
 then, that there is going to be a co-ordination of your
 activity with Consumers' Union?

MRS. WILSON: No, not -- I don't know what is
 in the future. But, my feeling would be that if we
 become strong enough, someday, the Consumers' Union may
 get out of the Canadian market altogether. This is just

MR. MacDONALD: But at the moment they . . .
 MRS. WILSON: At the moment they give us their

pleasing.
 M. MacDONALD: Is there an element though,
 in your feeling -- in effect, supplement the feeling
 that they are doing on one United States?
 MRS. WILSON: No, but if we are really -- in
 that -- just to show you how necessary this is.



1 our first issue which came out the first of the month.

2 We did this hoping to get a few men members. Anyway . . .

3 MR. MacDONALD: You might send us all . . .

4 THE CHAIRMAN: We have a copy.

5 MRS. WILSON: You have a copy? Well, all right.

6 But as I say, I think it is a very well done little thing.

7 Anyway, when we did it, we sent our -- we did

8 eleven drills, and we sent them over to Consumers' Union

9 to see how they tallied with what the Consumers' Union

10 happened to be doing in drills. Now, the Consumers' Union

11 was doing 28 drills at that time. Now, I haven't got the

12 figures in front of me, but as I recall, only three were

13 the same as what was being sold on the American side.

14 So you see . . .

15 MR. LAWRENCE: They would be drills

16 in the United States not necessarily in Canada.

17 MRS. WILSON: Yes, yes. Yes, this is it,

18 and this proved very conclusively. But, the Consumers'

19 Union has made this arrangement with us, that if we are

20 testing electric kettles in the future, I suspect they

21 will not test electric kettle. You know what I mean?

22 We co-operate for that with them. And, certainly, in

23 the meantime, they are giving us a very good rate on

24 consumer report for Canada until we get wide circulation.

25 This hasn't started yet. We expect it.

26 and which the Consumer's Association in Britain has

27 really been extremely good to us. We take all our

28 problems to them. In fact, we sometimes send our

29 manuscripts to them to read. It's a tremendous job

30



1011 this hoping to get a few more readers. Anyway.

MR. McDONALD: Now might send us all.

THE CHAIRMAN: We have a copy.

MRS. WILSON: You have a copy? Well, all right.

But as I say, I think it is a very well done little thing.

Anyway, when we did it, we sent out -- we did

eleven drills, and we sent them over to Consumers' Union

to see how they tallied with what the Consumers' Union

happened to be doing in drills. Now, the Consumers' Union

figures in front of me, but as I recall, only three were

the same as what was being sold on the American side.

So you see . . .

MR. LAWRENCE: They would be drills

in the United States not necessarily in Canada.

MRS. WILSON: Yes, yes, this is it.

and this proved very conclusively. But, the Consumers'

Union has made this arrangement with us, that if we are

testing electric kettles in the future, I suspect they

will not test electric kettles. You know what I mean?

We cooperate for that with them. And, certainly, in

the meantime, they are giving us a very good name on

consumer report for Canada until we get wide circulation

this hasn't started yet. We expect it.

and which the Consumers' Association in Britain has

really been extremely good to us. We take all our

problems to them. In fact, we sometimes send out

manuscripts to them to read. It's a tremendous job



1 this testing -- we have a lawyer, we have a C.A., and we
2 have all kinds of people to keep ourselves, so that we
3 can keep ourselves out of the hands of the law, ourselves.

4 We

5 And actually, we have been most well-supported
6 by

7 Does that answer you?

8 MR. LAWRENCE: Yes. Thank you very much.

9 I would make this gratuitous remark, that I don't see why
10 you shouldn't co-ordinate your activities to the maximum
11 of standard with what is being done in the United States.
12 Relatively, while we retain our sovereignty and all that
13 sort of stuff; but if they are doing good work, why not
14 make use of it.

15 MRS. WILSON: Well now, honestly. Would you
16 like us to bring out a Canadian edition of Consumers'
17 Union?

18 MR. LAWRENCE: Oh, I am not getting . . .
19 No, no. I just made a suggestion . . .

20 MRS. WILSON: This is the sort of alternative --

21

22 MR. LAWRENCE:

23 MRS. WILSON: But, they are extremely good to
24 us, and I think someday we will get it worked to the
25 place . . . They aren't -- they are really working with
26 us very closely.

27 THE CHAIRMAN: There is a high degree of
28 exchange in this.

29 MRS. WILSON: There is a great deal of exchange
30 of information, but I can't say, you know, too much about



1 have all kinds of people to keep ourselves, so that we
2 can keep ourselves out of the hands of the law, ourselves
3
4
5 And actually, we have been most well-served.

Does that answer you?

11 of standards with what is being done in the United States
12 Relatively, while we retain our sovereignty and all that
13 sort of stuff; but if they are doing good work, why not
14 make use of it.

15 MRS. WILSON: Well now, honestly, would you
16 like us to bring out a Canadian edition of Commonsense?
17 Ontario?

18 MR. LAWRENCE: Oh, I am not guessing.

19 I just made a suggestion.

20 MRS. WILSON: This is the sort of information

21 MR. LAWRENCE:

22 MRS. WILSON: But they are extremely good

23 and I think someday we will get it worked to the
24 place . . . They aren't -- they are really working with
25 as very closely.

26 THE CHAIRMAN: There is a high degree of

27 exchange in this.

28 MRS. WILSON: There is a great deal of exchange



1 MRS. DELL: What is the present membership with
2 the Association?

3 MRS. WILSON: About 25,000.

4 MRS. DELL: About 25,000, is it.

5 MRS. WILSON: We hope the dues won't go up.
6 It may go down you know, \$3.00 instead of \$2.00.

7 THE CHAIRMAN: Any further questions?

8 THE CHAIRMAN: Well, Mrs. Wilson, you have given
9 us a very able and highly informative presentation, and
10 we do appreciate your coming on such short notice, and
11 I hope you will take our thanks back to your organization
12 for sending you here to give us so much valuable inform-
13 ation which the Committee needs at this particular time.
14 You have helped to fill in the gaps from the consumer
15 standpoint, and I am sure this will be very important.

16 MRS. WILSON: Thank you. I have enjoyed it
17 myself. Thank you very much.

18 THE CHAIRMAN: Gentlemen, this meeting is
19 adjourned. We meet tomorrow morning at 10:00 o'clock.

20

21 ---WHEREUPON THE MEETING WAS ADJOURNED UNTIL 10:00 A.M.,

22 WEDNESDAY, JUNE 26th, 1963.

23

24

25

26

27

28

29

30



1 MRS. DEILL: What is the present membership with

2 the Association?

3 MRS. WILSON: About 25,000.

4 MRS. DEILL: About 25,000, is it.

5 MRS. WILSON: We hope the dues won't go up.

6 It may go down you know, \$3.00 instead of \$2.00.

7 THE CHAIRMAN: Any further questions?

8 THE CHAIRMAN: Well, Mrs. Wilson, you have given

9 us a very able and highly informative presentation, and

10 we do appreciate your coming on such short notice, and

11 I hope you will take our thanks back to your organization

12 for sending you here to give us so much valuable information

13 which the Committee needs at this particular time.

14 You have helped to fill in the gaps from the consumer

15 standpoint, and I am sure this will be very important.

16 MRS. WILSON: Thank you, I have enjoyed it

17 myself. Thank you very much.

18 THE CHAIRMAN: Gentlemen, this meeting is

19 adjourned. We meet tomorrow morning at 10:00 o'clock.

20

21 ---WHEREUPON THE MEETING WAS ADJOURNED UNTIL 10:00 A.M.,

22

23

24

25

26

27

28

29

30

